



**Auditor of State
Betty Montgomery**

VILLAGE OF NEWTOWN
HAMILTON COUNTY

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Auditor of State Betty Montgomery

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, 2003 and 2002. 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.

The Village's financial transactions were processed using 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 conduct the audit of 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2005, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Betty Montgomery
Auditor of State

February 28, 2005

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, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$176,813	\$567,902	\$0	\$0	\$744,715
Municipal Income Tax	1,051,417				1,051,417
Intergovernmental Receipts	108,119	151,700		109,986	369,805
Charges for Services	221	17,194			17,415
Fines, Licenses, and Permits	52,887	12,094			64,981
Earnings on Investments	51,615	1,772			53,387
Miscellaneous	32,293	20,341		193,000	245,634
	<u>1,473,365</u>	<u>771,003</u>	<u>0</u>	<u>302,986</u>	<u>2,547,354</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	460,706	672,642			1,133,348
Public Health Services		12,635			12,635
Leisure Time Activities		21,147			21,147
Basic Utility Services	85,194				85,194
Transportation	158,238	61,432			219,670
General Government	348,884	13,866			362,750
Capital Outlay		45,634		417,911	463,545
	<u>1,053,022</u>	<u>827,356</u>	<u>0</u>	<u>417,911</u>	<u>2,298,289</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>420,343</u>	<u>(56,353)</u>	<u>0</u>	<u>(114,925)</u>	<u>249,065</u>
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	3,900				3,900
Transfers-In		1,630		80,093	81,723
Transfers-Out	(81,723)	0	0	0	(81,723)
	<u>(77,823)</u>	<u>1,630</u>	<u>0</u>	<u>80,093</u>	<u>3,900</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	342,520	(54,723)	0	(34,832)	252,965
Fund Cash Balances, January 1	537,722	388,270	418,600	1,216,839	2,561,431
Fund Cash Balances, December 31	<u>\$880,242</u>	<u>\$333,547</u>	<u>\$418,600</u>	<u>\$1,182,007</u>	<u>\$2,814,396</u>
Reserves for Encumbrances, December 31	<u>\$16,366</u>	<u>\$9,306</u>	<u>\$0</u>	<u>\$35,532</u>	<u>\$61,204</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 - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$53,958</u>
Total Non-Operating Cash Receipts	<u>53,958</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>53,527</u>
Total Non-Operating Cash Disbursements	<u>53,527</u>
Net Receipts Over Disbursements	431
Fund Cash Balances, January 1	<u>405</u>
Fund Cash Balances, December 31	<u><u>\$836</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, 2002**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$165,773	\$323,064	\$0	\$0	\$488,837
Municipal Income Tax	927,428				927,428
Intergovernmental Receipts	99,828	120,366		613,735	833,929
Charges for Services	308	22,925			23,233
Fines, Licenses, and Permits	33,187	7,150			40,337
Earnings on Investments	58,601	1,834			60,435
Miscellaneous	102,315	44,453			146,768
Total Cash Receipts	<u>1,387,440</u>	<u>519,792</u>	<u>0</u>	<u>613,735</u>	<u>2,520,967</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	451,445	372,496			823,941
Public Health Services		12,616			12,616
Leisure Time Activities		19,126			19,126
Basic Utility Services	80,284				80,284
Transportation	161,676	52,042			213,718
General Government	298,383	990			299,373
Capital Outlay		18,693		988,590	1,007,283
Total Cash Disbursements	<u>991,788</u>	<u>475,963</u>	<u>0</u>	<u>988,590</u>	<u>2,456,341</u>
Total Receipts Over/(Under) Disbursements	<u>395,652</u>	<u>43,829</u>	<u>0</u>	<u>(374,855)</u>	<u>64,626</u>
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	3,225				3,225
Other Financing Sources				66,745	66,745
Other Financing Uses	(2,378)				(2,378)
Transfers-In		36,839	156,437	283,067	476,343
Advances-In	14,285				14,285
Transfers-Out	(476,343)				(476,343)
Advances-Out		(14,285)			(14,285)
Total Other Financing Receipts/(Disbursements)	<u>(461,211)</u>	<u>22,554</u>	<u>156,437</u>	<u>349,812</u>	<u>67,592</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(65,559)</u>	<u>66,383</u>	<u>156,437</u>	<u>(25,043)</u>	<u>132,218</u>
Fund Cash Balances, January 1	<u>603,281</u>	<u>321,887</u>	<u>262,163</u>	<u>1,241,882</u>	<u>2,429,213</u>
Fund Cash Balances, December 31	<u><u>\$537,722</u></u>	<u><u>\$388,270</u></u>	<u><u>\$418,600</u></u>	<u><u>\$1,216,839</u></u>	<u><u>\$2,561,431</u></u>
Reserves for Encumbrances, December 31	<u><u>\$984</u></u>	<u><u>\$23,177</u></u>	<u><u>\$0</u></u>	<u><u>\$4,098</u></u>	<u><u>\$28,259</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 - AGENCY FUND -
FOR THE YEAR ENDED DECEMBER 31, 2002

Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$49,214</u>
Total Non-Operating Cash Receipts	<u>49,214</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>53,852</u>
Total Non-Operating Cash Disbursements	<u>53,852</u>
Net Receipts Under Disbursements	(4,638)
Fund Cash Balances, January 1	<u>5,043</u>
Fund Cash Balances, December 31	<u><u>\$405</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, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Newtown, Hamilton County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides park operations (leisure time activities) and police and fire services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

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

Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund. Federal securities are 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 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 Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Fire Fund - This fund receives special levy money for maintaining the Village's joint fire district.

**VILLAGE OF NEWTOWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

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

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant capital project fund:

Capital Improvement Fund – This fund receives money from the Ohio Public Works Commission and Hamilton County for maintaining and improving the Village's roads.

5. Fiduciary Funds (Agency Fund)

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

Mayor's Court – This fund collects and distributes court fines to the Village and the 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. The 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. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

**VILLAGE OF NEWTOWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

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:

	2003	2002
Demand deposits	\$465,074	\$349,071
Total deposits	465,074	349,071
STAR Ohio	602,707	496,158
US Treasury Money Market Fund	5,752	3,724
Federal Securities	1,712,100	1,396,957
US Treasury Mutual Fund	29,599	315,926
Total investments	2,350,158	2,212,765
Total deposits and investments	\$2,815,232	\$2,561,836

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

Investments: Federal Securities are held in book-entry form by the Federal Reserve, 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.

**VILLAGE OF NEWTOWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	1,316,003	\$1,477,265	\$161,262
Special Revenue	792,235	772,633	(19,602)
Capital Projects	2,287,443	383,079	(1,904,364)
Total	<u>\$4,395,681</u>	<u>\$2,632,977</u>	<u>(\$1,762,704)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,821,557	\$1,151,111	\$670,446
Special Revenue	1,096,753	836,662	260,091
Debt Service	412,000	0	412,000
Capital Projects	3,285,631	453,443	2,832,188
Total	<u>\$6,615,941</u>	<u>\$2,441,216</u>	<u>\$4,174,725</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,382,406	\$1,390,665	\$8,259
Special Revenue	594,087	556,631	(37,456)
Debt Service	150,000	156,437	6,437
Capital Projects	2,977,027	963,546	(2,013,481)
Total	<u>\$5,103,520</u>	<u>\$3,067,279</u>	<u>(\$2,036,241)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,002,400	\$1,471,493	\$530,907
Special Revenue	785,199	499,140	286,059
Debt Service	412,000	0	412,000
Capital Projects	4,048,385	992,688	3,055,697
Total	<u>\$7,247,984</u>	<u>\$2,963,321</u>	<u>\$4,284,663</u>

**VILLAGE OF NEWTOWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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. 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 flat rate of three percent of gross receipts collected.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$89,845	3.00%

The Ohio Public Works Commission Loan (OPWC) loan was received by the Village in 2001 and relates to the Church Street improvements made during 2002. The OPWC loan is a result of the Commission overpaying their portion of the street improvement obligations. The loan will be repaid in semiannual installments of \$3,741, including interest, over 15 years.

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

**VILLAGE OF NEWTOWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. DEBT (Continued)

	OPWC
Year ending December 31:	
2004	\$1,131
2005	7,482
2006	7,482
2007	7,482
2008	7,482
2009 - 2013	37,411
2014 - 2018	37,411
2019	7,482
Total	\$113,363

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

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

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

The Plan uses conventional insurance coverage and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**VILLAGE OF NEWTOWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

10. RELATED PARTY TRANSACTION

A Village Council member is the manager of a company from which the Village acquired various landscaping supplies during the years 2003 and 2002. The Council member's father-in-law owns the company. The Village paid \$ 2,830 and \$346 during 2003 and 2002, respectively, for these supplies.

A Village Council member owns a landscaping company. During the audit period, the council member initiated transactions which were approved by Council, for \$1,400 for services provided by this member's company.

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Auditor of State Betty Montgomery

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, 2003 and 2002, and have issued our report thereon dated February 28, 2005, wherein we noted that the Villages financial transactions were processed using 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 conduct the audit of 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 certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-003 through 2003-004.

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 when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider item 2003-004 to be a material weakness. In a separate letter to the Village's management dated February 28, 2005, we reported other matters involving internal control over financial reporting.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-004. In a separate letter to the Village's management dated February 28, 2005, we reported a matter related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

February 28, 2005, except for Finding 2003-001, which is dated April 22, 2005

**VILLAGE OF NEWTOWN
HAMILTON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Finding for Recovery Repaid Under Audit

Various individuals at the Village of Newtown receive monies for payment of traffic and criminal offenses. It is the responsibility of the Mayor's Court Clerk to receipt and distribute these monies. Upon reconciliation of Mayor's Court records to bank balances, \$563.00 could not be accounted for. The adjusted bank balance of \$835.50 is less than the book balance of \$1,398.50.

On April 22, 2005, the former Mayor's Court Clerk, Caryl Clark repaid the Village \$563. This amount was paid into the Village's funds.

FINDING NUMBER 2003-30431-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

FINDING NUMBER 2003-30431-002
(Continued)

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not certify the availability of funds prior to purchase commitment for 18% of the expenditures tested and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Clerk certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2003-003

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.

ORC, 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, we found that there were no Council minutes available for review for the period January 1, 2003 through December 31, 2003, although according to Council the meetings were tape recorded and not transcribed.

In addition, confirmations sent to the Finance Committee members from the Auditor of State staff regarding the financial information they receive and review were not consistent with each other.

The Village should keep a record of all Council meetings. The Village should develop and implement a monitoring system to reduce the risk of not detecting material misstatements.

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved. These controls should address operational, legal compliance, and financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

Monitoring controls may be in the nature of ongoing activities or separate periodic evaluation by either management or an internal audit function. They can relate to a specific transaction cycle or they can be more overview in nature.

**FINDING NUMBER 2003-003
(Continued)**

Monitoring controls should assist management in detecting material misstatements in financial or other information and can include:

- Regular review of budget and actual expenditures;
- Regular review of financial report summaries of sufficient detail (monthly detailed revenue and expenditure reports);
- Review of key performance indicators;
- Review of revenues/expenditures with independently accumulated information (budgets, past performance, etc.);
- Review of unusual or significant items, long outstanding items, etc.;
- Identification of unusual fluctuations;
- Approval of new funds;
- Ensuring an adequate segregation of duties exist;
- Evidence of approval of bills.

The minutes are the official record of the Council and should contain 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 record. If the minutes are tape recorded, the recordings should be transcribed on a timely basis and made available to the public. We also recommend all reports reviewed by the Council be documented in the minutes so that it is evident that the Council Members are taking an active role in Village activity.

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 Village should have each Committee member document the financial information he or she receives for that particular month.

FINDING NUMBER 2003-004

Noncompliance Citation – Material Weakness

Ohio Rev. Code, Section 733.40, states that all fines, forfeitures and costs in ordinance cases and all fees that are collected by the mayor, that in any manner come into the mayor's hands, or that are due the mayor or a marshal, chief of police, or other officer of the municipal corporation, 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 money received, from whom and for what purposes received and when paid into the treasury.

**FINDING NUMBER 2003-004
(Continued)**

Ohio Rev. Code, Section 149.351, establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code Section 149.38 to 149.42.

During review of the Mayor's Court we noted the following:

- Monthly bank reconciliations were not always performed;
- Cashbooks were not always maintained;
- All receipts and disbursements were not listed on the cashbook;
- Receipts were posted by court date throughout the audit period and in 2002 were sequenced by case number rather than receipt number;
- Deposits could not always be matched to a group of receipts;
- Deposits were not timely;
- Voided checks were not listed in the cashbook as such;
- Original documents were missing, including bank statements, duplicate receipts, and citations;
- Remittances were not timely to the State and Village for court costs and fines;
- Monthly reports were not always given to council and did not always contain the appropriate information;

The above items show a weakness in internal control over the Mayor's Court activities. We recommend the following to improve the above listed items:

- Monthly bank reconciliations should be performed in a timely manner. This helps to detect any errors or irregularities promptly and improves internal control.
- A complete and accurate cashbook should be maintained by the court at all times.
- Receipts should be posted in the related ledgers as to the date received and should be deposited intact and timely. Interest received on the account should be posted to the cashbook as a receipt. The receipts posted to the cashbook should agree with the bank deposits. This process would improve accountability over the court receipts.
- All disbursements should be posted to the cashbook according to the date written. Voided checks should be listed on the cashbook as being voided. If there are any charges on the bank statement these should be posted as disbursements on the books. This would improve accountability over disbursements.
- All records should be retained according to record retention guidelines.
- The Ohio Revised Code provides that remittances to the State and Village be made by specified dates. The Mayor should review these requirements and follow them.

**FINDING NUMBER 2003-004
(Continued)**

- The Ohio Revised Code requires that the Mayor submit a monthly report of all court activity to council. These requirements should be met.

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**VILLAGE OF NEWTOWN
HAMILTON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-001	Expenditures exceeded appropriations	Yes	



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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
JUNE 7, 2005**