



**Auditor of State
Betty Montgomery**

NEWTON TOWNSHIP
LICKING COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Newton Township
Licking County
3579 Chestnut Hills Road
Newark, Ohio 43055

To the Board of Trustees:

We have audited the accompanying financial statements of Newton Township, Licking County, Ohio, (the Township) as of and for the years ended December 31, 2003, and December 31, 2002. These financial statements are the responsibility of the Township'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 Township'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 Township 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 Township 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2003, and December 31, 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 June 7, 2004, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees, 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

June 7, 2004

**NEWTON TOWNSHIP
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Agency Fund</u>	
Cash Receipts:					
Local Taxes	\$72,193	\$198,601	\$33,000	\$0	\$303,794
Intergovernmental	52,236	95,903	0	0	148,139
Special Assessments	4,026	0	0	0	4,026
Charges for Services	0	10,000	0	0	10,000
Licenses, Permits, and Fees	4,792	12,683	0	0	17,475
Earnings on Investments	3,607	600	0	0	4,207
Other Revenue	8,255	102,833	0	12,389	123,477
	<u>145,109</u>	<u>420,620</u>	<u>33,000</u>	<u>12,389</u>	<u>611,118</u>
Total Cash Receipts					
	<u>145,109</u>	<u>420,620</u>	<u>33,000</u>	<u>12,389</u>	<u>611,118</u>
Cash Disbursements:					
Current:					
General Government	92,289	2,744	0	0	95,033
Public Safety	0	79,710	0	0	79,710
Public Works	23,711	117,972	0	0	141,683
Health	6,969	85,242	0	0	92,211
Debt Service:					
Redemption of Principal	0	28,535	0	0	28,535
Interest and Fiscal Charges	0	4,516	0	0	4,516
Capital Outlay	0	44,758	0	0	44,758
	<u>122,969</u>	<u>363,477</u>	<u>0</u>	<u>0</u>	<u>486,446</u>
Total Cash Disbursements					
	<u>122,969</u>	<u>363,477</u>	<u>0</u>	<u>0</u>	<u>486,446</u>
Total Receipts Over Disbursements	22,140	57,143	33,000	12,389	124,672
Fund Cash Balances, January 1	<u>131,582</u>	<u>368,237</u>	<u>17,932</u>	<u>115,404</u>	<u>633,155</u>
Fund Cash Balances, December 31	<u><u>\$153,722</u></u>	<u><u>\$425,380</u></u>	<u><u>\$50,932</u></u>	<u><u>\$127,793</u></u>	<u><u>\$757,827</u></u>

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

**NEWTON TOWNSHIP
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Agency Fund</u>	
Cash Receipts:					
Local Taxes	\$61,963	\$203,371	\$16,500	\$0	\$281,834
Intergovernmental	64,064	91,174	0	0	155,238
Special Assessments	3,972	0	0	0	3,972
Charges for Services	0	14,000	0	0	14,000
Licenses, Permits, and Fees	4,132	13,825	0	0	17,957
Earnings on Investments	4,713	1,000	0	0	5,713
Other Revenue	5,108	84,464	0	11,695	101,267
	<u>143,952</u>	<u>407,834</u>	<u>16,500</u>	<u>11,695</u>	<u>579,981</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	96,594	0	0	0	96,594
Public Safety	0	76,341	0	0	76,341
Public Works	23,421	119,669	0	0	143,090
Health	6,106	89,885	0	0	95,991
Capital Outlay	0	173,947	0	0	173,947
	<u>126,121</u>	<u>459,842</u>	<u>0</u>	<u>0</u>	<u>585,963</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>17,831</u>	<u>(52,008)</u>	<u>16,500</u>	<u>11,695</u>	<u>(5,982)</u>
Other Financing Receipts:					
Proceeds from Sale of Public Debt:					
Sale of Notes	0	90,000	0	0	90,000
Sale of Fixed Assets	0	2,250	0	0	2,250
	<u>0</u>	<u>92,250</u>	<u>0</u>	<u>0</u>	<u>92,250</u>
Total Other Financing Receipts					
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	17,831	40,242	16,500	11,695	86,268
Fund Cash Balances, January 1	<u>113,751</u>	<u>327,995</u>	<u>1,432</u>	<u>103,709</u>	<u>546,887</u>
Fund Cash Balances, December 31	<u>\$131,582</u>	<u>\$368,237</u>	<u>\$17,932</u>	<u>\$115,404</u>	<u>\$633,155</u>

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

**NEWTON TOWNSHIP
LICKING COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Newton Township, Licking County, (the Township) 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 Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township's management believes these financial statements present all activities for which the Township 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

The Township maintains an interest bearing checking account.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township 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 Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money to pay for constructing, maintaining and repairing Township roads.

Cemetery Fund – This fund receives money from the opening, closing and sale of lots for the care of Township cemeteries.

Fire District Fund – This fund receives tax money levied for the protection of Township residents and property.

**NEWTON TOWNSHIP
LICKING COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of note indebtedness. The Township had the following significant Debt Service Fund:

General Note Retirement Fund - This fund receives property tax money to pay for the retirement of debt principal and interest related to an ambulance purchase.

4. Fiduciary Fund (Agency Fund)

This fund is used to account for funds for which the Township is acting in an agency capacity. The Township had the following significant Fiduciary Fund:

Cemetery Prepayment Fund – This fund receives prepayments for opening and closing fees for future burials.

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 Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made.

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.

**NEWTON TOWNSHIP
LICKING COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	2003	2002
Demand deposits	\$757,827	\$633,155

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

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$141,085	\$145,109	\$4,024
Special Revenue	420,738	420,620	(118)
Debt Service	16,500	33,000	16,500
Total	\$578,323	\$598,729	\$20,406

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$272,667	\$122,969	\$149,698
Special Revenue	788,976	363,477	425,499
Debt Service	34,432	0	34,432
Total	\$1,096,075	\$486,446	\$609,629

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$128,097	\$143,952	\$15,855
Special Revenue	417,371	500,084	82,713
Debt Service	20,000	16,500	(3,500)
Total	\$565,468	\$660,536	\$95,068

**NEWTON TOWNSHIP
LICKING COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$241,847	\$126,121	\$115,726
Special Revenue	745,366	459,842	285,524
Debt Service	21,432	0	21,432
Total	\$1,008,645	\$585,963	\$422,682

Contrary to Ohio law, prior certification of the Township Clerk was not always obtained prior to making purchase commitments. Also contrary to Ohio law, appropriations measures were passed after January 1, 2003 and 2002 and temporary appropriations measures were not passed to cover expenditures incurred during the time period between January 1 and the time the annual appropriations measures were passed.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. 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 Township.

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ambulance Note	\$61,465	4.99%

The general obligation note was issued to finance the purchase of an ambulance. The note is secured by the ambulance.

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

	Ambulance Note
Year ending December 31:	
2004	\$33,051
2005	33,051
Total	\$66,102

**NEWTON TOWNSHIP
LICKING COUNTY**

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

6. RETIREMENT SYSTEM

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides 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, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Risk Pool Membership

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

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

The Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

8. ACCOUNTS RECEIVABLE

The Township allows individuals to pre-pay for the opening and closing of grave sites by signing a Prearrangement for Interment Contract. The Township records the collection of these prepayments in an Agency Fund, in the name of the individual, until the service has been provided. As of December 31, 2003, the Township has yet to reimburse the Cemetery Fund for services provided as described in the Prearrangement for Interment Contract. As a result, a receivable exists for funds that should have been reimbursed to the Cemetery Fund for services provided. At December 31, 2003, the minimum amount of this receivable is \$30,495; however, management of the Township has agreed to compute the final calculation and make the necessary transfer of funds.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Newton Township
Licking County
3579 Chestnut Hills Road
Newark, Ohio 43055

To the Board of Trustees:

We have audited the accompanying financial statements of Newton Township, Licking County, Ohio, (the Township) as of and for the years ended December 31, 2003, and December 31, 2002, and have issued our report thereon dated June 7, 2004, wherein we noted that the Township's financial transactions were processed using the Auditor of States 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 Township 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. In addition, we noted certain immaterial instances of noncompliance, which we have reported to management of the Township in a separate letter dated June 7, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2003-003.

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Internal Control Over Financial Reporting (Continued)

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of management and the Board of Trustees, 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

June 7, 2004

NEWTON TOWNSHIP
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citations

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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township 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 Township.

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.

3. Super Blanket Certificate – The Township 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 Township did not certify the availability of funds prior to purchase commitment for 63% of the expenditures tested and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**NEWTON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-001 (Continued)

Noncompliance Citation (Continued)

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 Township's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2003-002

Ohio Rev. Code Section 5705.38 states on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

Ohio Rev. Code Section 5705.41(B), states no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2003 and 2002, annual appropriations measures were not passed until March and February respectively and the Township failed to pass a temporary appropriation measure to cover ordinary expenses. This resulted in the Township expending money that was not appropriated.

The Board should either pass a temporary appropriation measure to cover expenditures until an annual appropriation measure is passed, or pass the annual appropriation measure before expending funds.

FINDING NUMBER 2003-003

Reportable Condition

The following internal control weaknesses were noted over cemetery receipts:

- a. The Cemetery Sexton did not retain duplicate receipts issued for cemetery collections. In addition, monthly open accounts receivable balances are not maintained for patrons on a payment plan.
- b. The Board of Trustees did not receive a monthly report summarizing cemetery receipts and activity.

**NEWTON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2003-003 (Continued)

Reportable Condition (Continued)

- c. Receipts from openings, closings, sale of lots, and other cemetery receipts are deposited with the Township Clerk once a month.
- d. The Township collects prepayments for cemetery opening and closing fees. These fees are recorded in a Cemetery Prepayment Fund which is classified as an Agency fund. These payments are not applied to the Cemetery Fund when the opening and closing of the grave is completed.

The above weaknesses can result in an inability to manage and monitor departmental operations in an effective manner.

To strengthen existing operations:

- a. The Cemetery Sexton should retain all duplicate receipts issued. Duplicate receipts should be reconciled to deposits made with the Township Clerk.
- b. The Cemetery Sexton should provide a monthly report of collections to the Board of Trustees of all cemetery receipts and services for the month. Review of the report should be indicated in the minutes.
- c. An open accounts receivable report should be compiled and submitted to the Trustees monthly. The Trustees should review and approve the report monthly, paying particular attention to outstanding receivable amounts that are overdue.
- d. The Board of Trustees should adopt a policy requiring the Cemetery Sexton to deposit with the Township Clerk in accordance with Ohio Revised Code Section 9.38.
- e. The Township Clerk should apply the prepayments to the Cemetery Fund in the Special Revenue Fund Type when the services are performed. Township records reflect approximately \$30,495 should be paid into the Cemetery Fund at the end of 2003. The Township Trustees should immediately make accounting entries to properly allocate these funds to the Cemetery Operating Fund.

Also, when future openings and closings of graves are completed, the payments should be paid to the Cemetery Fund in a timely manner.

**NEWTON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40645-001	Revised Code 5705.41 (D), Failure to Certify Funds	No	Reissued as Finding 2003-001
2001-40645-002	Revised Code 5705.38, Appropriations Measures Passed After Deadline	No	Reissued as Finding 2003-002
2001-40645-003	Cemetery Recommendations	No	Reissued as Finding 2003-003



**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

NEWTON TOWNSHIP

LICKING 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
JULY 27, 2004**