

***NEWTON TOWNSHIP
MUSKINGUM COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Board of Trustees
Newton Township
8845 Bagley Road
Mt. Perry, Ohio 43760

We have reviewed the *Report of Independent Accountants* of Newton Township, Muskingum County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Newton Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 12, 2006

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**NEWTON TOWNSHIP
MUSKINGUM COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2004 & 2003**

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REPORT OF INDEPENDENT ACCOUNTANTS

Newton Township
Muskingum County
8845 Bagley Road
Mt. Perry, Ohio 43760

We have audited the accompanying financial statements of Newton Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003. 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 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. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year 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 Newton Township, Muskingum County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township 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 June 29, 2006, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

June 29, 2006

NEWTON TOWNSHIP
 MUSKINGUM COUNTY, OHIO
 COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 For the Year Ended December 31, 2004

	Governmental Fund Types			Totals - (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Local Taxes	\$ 37,559	\$ 446,347	\$ -	\$ 483,906
Charges for Services	-	45,414	-	45,414
Intergovernmental	27,938	314,590	-	342,528
Special Assessments	-	21,054	-	21,054
Interest	6,918	383	-	7,301
Miscellaneous	2,455	45,236	-	47,691
Total Receipts	74,870	873,024	-	947,894
Disbursements:				
General Government	73,065	171,879	-	244,944
Public Safety	-	256,829	-	256,829
Public Works	-	167,065	-	167,065
Health	2,508	-	-	2,508
Capital Outlay	31,962	327,114	352,059	711,135
Debt Service:				
Principal	-	90,000	-	90,000
Interest	-	35,476	-	35,476
Total Disbursements	107,535	1,048,363	352,059	1,507,957
Total Receipts Over/(Under) Disbursements	(32,665)	(175,339)	(352,059)	(560,063)
Other Financing Sources/(Uses):				
Advances-In	4,500	500	-	5,000
Advances-Out	(500)	(4,500)	-	(5,000)
Total Other Financing Sources/(Uses)	4,000	(4,000)	-	-
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	(28,665)	(179,339)	(352,059)	(560,063)
Fund Balance, January 1, 2004	196,667	552,531	378,745	1,127,943
Fund Balance, December 31, 2004	<u>\$ 168,002</u>	<u>\$ 373,192</u>	<u>\$ 26,686</u>	<u>\$ 567,880</u>
Reserve for Encumbrances, December 31	<u>\$ 218</u>	<u>\$ 3,590</u>	<u>\$ -</u>	<u>\$ 3,808</u>

See Accompanying Notes to the Financial Statements.

NEWTON TOWNSHIP
 MUSKINGUM COUNTY, OHIO
 COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 For the Year Ended December 31, 2003

	Governmental Fund Types			Totals - (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Local Taxes	\$ 32,951	\$ 402,460	\$ -	\$ 435,411
Charges for Services	-	85,034	-	85,034
Intergovernmental	198,955	179,973	-	378,928
Special Assessments	-	20,813	-	20,813
Interest	7,787	253	-	8,040
Miscellaneous	1,286	6,238	-	7,524
Total Receipts	240,979	694,771	-	935,750
Disbursements:				
General Government	195,518	26,885	-	222,403
Public Safety	-	213,565	-	213,565
Public Works	-	195,126	-	195,126
Health	4,633	-	-	4,633
Capital Outlay	431	115,632	221,255	337,318
Debt Service:				
Principal	-	70,000	-	70,000
Interest	-	8,400	-	8,400
Total Disbursements	200,582	629,608	221,255	1,051,445
Total Receipts Over/(Under) Disbursements	40,397	65,163	(221,255)	(115,695)
Other Financing Sources/(Uses):				
Advances-In	15,000	19,000	-	34,000
Advances-Out	(19,000)	(15,000)	-	(34,000)
Transfers-In	208	5,189	-	5,397
Transfers-Out	-	(5,397)	-	(5,397)
Sale of Notes	-	-	600,000	600,000
Total Other Financing Sources/(Uses)	(3,792)	3,792	600,000	600,000
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	36,605	68,955	378,745	484,305
Fund Balance, January 1, 2003	160,062	483,576	-	643,638
Fund Balance, December 31, 2003	<u>\$ 196,667</u>	<u>\$ 552,531</u>	<u>\$ 378,745</u>	<u>\$ 1,127,943</u>
Reserve for Encumbrances, December 31	<u>\$ 588</u>	<u>\$ 77,418</u>	<u>\$ 88,137</u>	<u>\$ 166,143</u>

See Accompanying Notes to the Financial Statements.

NEWTON TOWNSHIP
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Newton Township, Muskingum County (the Township) is a body corporate and politic established for the purpose of exercising 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, and fire protection and emergency medical services.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Township prepares its financial statements following 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.)

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

C. CASH

Investments are included in the fund cash balances. 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.

D. FUND ACCOUNTING

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of

**NEWTON TOWNSHIP
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Township has the following significant Special Revenue funds:

- Gasoline Tax Fund-Receives gasoline excise taxes to pay for constructing, maintaining and repairing Township roads.
- Road and Bridge Fund-Receives property taxes for constructing, maintaining and repairing Township roads and bridges.
- Fire Special Levy Fund-Receives taxes levied to provide fire protection and emergency medical services to the Township.

Capital Projects: This fund is used to account for resources to be used for the acquisition or construction of capital assets. The Township has the following significant Capital Projects fund:

- Miscellaneous Capital Projects Fund-Receives money for the construction of a Township fire station.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Township Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

NEWTON TOWNSHIP
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS – (Continued)

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The certificate is approved by the county budget commission and sent to the Township Clerk by September 1.

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2003 and 2004. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS - (Continued)

3. Encumbrances

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay 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 Township's basis of accounting.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2004</u>	<u>2003</u>
Demand Deposits	\$ 476,100	\$ 925,372
Money Market Funds	91,780	202,571
Total Deposits	\$567,880	\$1,127,943

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

3. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2004.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are also taxed on personal and real property located within the Township.

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

	<u>2004 Budgeted vs Actual Receipts</u>		
<u>Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	<u></u>
General Fund	\$ 110,126	\$ 79,370	\$ (30,756)
Special Revenue	787,592	873,524	85,932
Capital Projects	-	-	-

	<u>2004 Budgeted vs Actual Budgetary Basis Expenditures</u>		
<u>Fund:</u>	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	<u></u>
General Fund	\$306,793	\$ 108,253	\$ 198,540
Special Revenue	1,243,599	1,056,453	187,146
Capital Projects	378,745	352,059	26,686

**NEWTON TOWNSHIP
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

<u>Fund:</u>	<u>2003 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$ 446,202	\$ 256,187	\$ (190,015)
Special Revenue	558,508	718,960	160,452
Capital Projects	610,506	600,000	(10,506)

<u>Fund:</u>	<u>2003 Budgeted vs Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	
General Fund	\$238,450	\$ 220,170	\$ 18,280
Special Revenue	732,727	727,423	5,304
Capital Projects	600,000	309,392	290,608

5. RETIREMENT SYSTEM

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS), a state operated, cost sharing, multiple employer plans. 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 prescribed by the Ohio Revised Code. OPERS members contributed 8.5% of their gross pay while the Township contributed an amount equal to 13.55% of covered payroll. The Township paid all required contributions through 2004.

6. RISK MANAGEMENT

RISK POOL MEMBERSHIP

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

6. RISK MANANGEMENT – (Continued)

RISK POOL MEMBERSHIP – (Continued)

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA's losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

Financial Position

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

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained Earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 7,799,073	\$ 6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained Earnings	<u>\$ 7,045,167</u>	<u>\$ 6,040,104</u>

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The Township pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

7. DEBT

The Township issued general obligation notes in 2004 in the amount of \$600,000 for the construction of a fire station.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

7. DEBT – (Continued)

Debt outstanding at December 31, 2004 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Fire Station Note	<u>\$580,000</u>	2.25%

Principal and interest requirements for debt outstanding at December 31, 2004 is as follows:

<u>Year Ended</u>	<u>Fire Station Note</u>
2005	\$51,825
2006	51,025
2007	50,225
2008	49,425
2009	48,625
2010-2014	257,250
2015-maturity	480,975
Total	<u>\$989,350</u>

8. TRANSFERS AND ADVANCES

Transfers were made from the Special Revenue Fund-FEMA, which collected grant revenues for road repairs, to the General Fund and other Special Revenue Funds which paid for those repairs. All applicable requirements of the Ohio Revised Code and FEMA requirements related to these transfers were followed.

Advances were made from the General Fund to the Road and Bridge Fund to meet short-term cash requirements. All advances were repaid.

9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

The Board of Trustees
Newton Township
8845 Bagley Road
Mt. Perry, Ohio 43760

We have audited the financial statements of Newton Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated June 29, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the 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 an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Township in a separate letter dated June 29, 2006.

Compliance and Other Matters

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, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Township Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.

June 29, 2006

**NEWTON TOWNSHIP
MUSKINGUM COUNTY, OHIO
For The Years Ended December 31, 2004 and 2003**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-41060-001	Ohio Rev. Code Section 5705.10- Revenue posted to wrong accounts	Yes	Revenues are now properly posted
2002-41060-002	Ohio Rev. Code Section 5705.38-Appropriation measure not adopted prior to expenditure of funds	Yes	Temporary appropriations adopted
2002-41060-003	Ohio Rev. Code Section 5705.40-Appropriations not properly posted to UAN system	No	Partially Corrected; Repeated in management letter
2002-41060-004	Ohio Rev. Code Section 5705.41(B)-Expenditures exceeded appropriations	Yes	Expenditures were within approved budgetary authorizations
2002-41060-005	Material Weakness-Fire & EMS billing records inadequate	Yes	Billing record procedures formalized



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Betty Montgomery**

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NEWTON TOWNSHIP

MUSKINGUM 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
SEPTEMBER 26, 2006**