



Dave Yost • Auditor of State

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

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Dave Yost • Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style.

Dave Yost
Auditor of State

November 3, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Newton Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009. 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the 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(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the 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.

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

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 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, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Newton Township, Muskingum County, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 November 3, 2011, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

November 3, 2011

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Other Local Taxes	\$42,004	\$327,711	\$145,659	\$0	\$515,374
Charges for Services		146,658			146,658
Intergovernmental	114,453	293,235			407,688
Special Assessments		20,341			20,341
Earnings on Investments	457	23			480
Miscellaneous	9,363	5,746			15,109
Total Cash Receipts	166,277	793,714	145,659	0	1,105,650
Cash Disbursements:					
Current:					
General Government	119,269	109,842			229,111
Public Safety		263,897			263,897
Public Works		279,794			279,794
Health	2,295				2,295
Capital Outlay	44,655	110,851			155,506
Debt Service:					
Redemption of Principal			117,674		117,674
Interest and Other Fiscal Charges			50,531		50,531
Total Cash Disbursements	166,219	764,384	168,205	0	1,098,808
Total Cash Receipts Over/(Under) Cash Disbursements	58	29,330	(22,546)	0	6,842
Other Financing Receipts / (Disbursements):					
Transfers-In		10,000	23,339	50,000	83,339
Transfers-Out	(10,000)	(73,339)			(83,339)
Total Other Financing Receipts / (Disbursements)	(10,000)	(63,339)	23,339	50,000	0
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(9,942)	(34,009)	793	50,000	6,842
Fund Cash Balances, January 1	263,458	321,277	3,530	300,000	888,265
Fund Cash Balances, December 31	\$253,516	\$287,268	\$4,323	\$350,000	\$895,107
Reserve for Encumbrances, December 31	\$820	\$1,928	\$0	\$0	\$2,748

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

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<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 and Other Local Taxes	\$44,497	\$347,378	\$141,459	\$0	\$533,334
Charges for Services		140,000			140,000
Intergovernmental	74,446	172,856			247,302
Special Assessments		20,381			20,381
Earnings on Investments	430	24			454
Miscellaneous	13,617	12,640			26,257
Total Cash Receipts	<u>132,990</u>	<u>693,279</u>	<u>141,459</u>	<u>0</u>	<u>967,728</u>
Cash Disbursements:					
Current:					
General Government	127,544	138,347			265,891
Public Safety		181,703			181,703
Public Works		215,081			215,081
Health	2,721				2,721
Capital Outlay		63,551			63,551
Debt Service:					
Redemption of Principal			108,611		108,611
Interest and Other Fiscal Charges			55,752		55,752
Total Cash Disbursements	<u>130,265</u>	<u>598,682</u>	<u>164,363</u>	<u>0</u>	<u>893,310</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>2,725</u>	<u>94,597</u>	<u>(22,904)</u>	<u>0</u>	<u>74,418</u>
Other Financing Receipts / (Disbursements):					
Transfers-In	50,000		23,339	100,000	173,339
Transfers-Out		(173,339)			(173,339)
Total Other Financing Receipts / (Disbursements)	<u>50,000</u>	<u>(173,339)</u>	<u>23,339</u>	<u>100,000</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	52,725	(78,742)	435	100,000	74,418
Fund Cash Balances, January 1	210,733	400,019	3,095	200,000	813,847
Fund Cash Balances, December 31	<u>\$263,458</u>	<u>\$321,277</u>	<u>\$3,530</u>	<u>\$300,000</u>	<u>\$888,265</u>
Reserve for Encumbrances, December 31	<u>\$6,004</u>	<u>\$1,621</u>	<u>\$0</u>	<u>\$0</u>	<u>\$7,625</u>

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

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Newton Township, Muskingum County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool and the Zanesville-Newton Township Joint Economic Development District (JEDD), a joint venture. Notes 7 and 8 to the financial statements provides additional information for these entities.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

Fire Special Levy Fund - This fund receives property tax money to provide fire and emergency medical services for the Township.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting

2. Special Revenue Funds (Continued)

Ambulance and Emergency Medical Services Fund – This fund receives charges for services for emergency medical services provided by the Township.

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining, and repairing Township roads.

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

Miscellaneous Debt Service Fund - This fund receives property tax money to make debt payments on various lease-purchase agreements.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Fund:

Miscellaneous Capital Projects Fund - This fund receives transfers of money from the Fire Special Levy Fund to accumulate monies for the purchase of a ladder truck for the Township Fire Department.

D. Budgetary Process

The Ohio Revised Code requires that each fund 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 Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated

A summary of 2010 and 2009 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

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

	2010	2009
Demand deposits	\$895,107	\$888,265

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009, follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$186,497	\$166,277	(\$20,220)
Special Revenue	748,499	803,714	55,215
Debt Service	168,998	168,998	0
Capital Projects	0	50,000	50,000
Total	\$1,103,994	\$1,188,989	\$84,995

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$262,500	\$177,039	\$85,461
Special Revenue	910,389	839,651	70,738
Debt Service	165,263	168,205	(2,942)
Capital Projects	100,000	0	100,000
Total	<u>\$1,438,152</u>	<u>\$1,184,895</u>	<u>\$253,257</u>

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$154,217	\$182,990	\$28,773
Special Revenue	734,728	693,279	(41,449)
Debt Service	164,363	164,798	435
Capital Projects	0	100,000	100,000
Total	<u>\$1,053,308</u>	<u>\$1,141,067</u>	<u>\$87,759</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$355,855	\$136,269	\$219,586
Special Revenue	1,063,867	773,642	290,225
Debt Service	164,363	164,363	0
Capital Projects	200,000	0	200,000
Total	<u>\$1,784,085</u>	<u>\$1,074,274</u>	<u>\$709,811</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority at the legal level of control in the General, Road and Bridge, Fire Special Levy, Ambulance and Emergency Medical Services, FEMA Grant, and Miscellaneous Debt Service Funds for the year ended December 31, 2010 and the General, Road and Bridge, Fire Special Levy, and Ambulance and Emergency Medical Services Funds for the year ended December 31, 2009. Also, contrary to Ohio law, appropriations exceeded estimated resources in the Ambulance Debt Service Fund in 2010 and in the Fire Special Levy Fund in 2009. In addition, contrary to Ohio law, appropriations exceeded the beginning balance plus actual receipts in the Ambulance and Emergency Medical Services and Ambulance Debt Service Funds at December 31, 2010 and in the Fire Special Levy Fund at December 31, 2009.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. Property Tax (Continued)

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, 2010, was as follows:

	Principal	Interest Rate
Fire Station Lease-Purchase Agreement	\$455,000	6.25%
Ambulance Lease-Purchase Agreement	9,230	4.192%
Asphalt Zipper Lease-Purchase Agreement	28,094	4.84%
Fire Truck Lease-Purchase Agreement	344,027	4.84%
Tractor/Mower Lease-Purchase Agreement	31,442	3.85%
Total	<u>\$867,793</u>	

The Township entered into a lease-purchase agreement to finance the construction of a fire station in 2004. The Township's taxing authority collateralized the lease.

In 2006, the Township entered into lease-purchase agreements to finance the purchase of an ambulance, a fire truck, and an asphalt zipper. This equipment serves as collateral on the respective debt.

In 2008, the Township entered into a lease-purchase agreement to finance the purchase of a tractor/mower. The tractor/mower serves as collateral on the debt.

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

Year ending December 31:	Fire Station Lease	Asphalt Zipper Lease	Fire Truck Lease	Ambulance Lease	Tractor/Mower Lease
2011	\$51,638	\$12,066	\$67,455	\$11,670	\$13,312
2012	50,450	12,066	67,455		13,312
2013	49,263	6,033	67,455		6,657
2014	53,075		67,455		
2015	51,650		67,455		
2016-2020	256,850		67,454		
2021-2024	202,475				
Total	<u>\$715,401</u>	<u>\$30,165</u>	<u>\$404,729</u>	<u>\$11,670</u>	<u>\$33,281</u>

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

7. Risk Management

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

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

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Risk Management (Continued)

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$20,000.

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

<u>Contributions to OTARMA</u>	
<u>2010</u>	<u>2009</u>
\$26,679	\$21,646

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. Joint Venture

The Zanesville-Newton Township Joint Economic Development District (JEDD) was created during 2002 pursuant to Ohio Revised Code Section 715.77. The JEDD was created to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State, County, City, Village, Township and the JEDD. The JEDD is operated by a three member board. The Township and the City of Zanesville each appoint one member and these two JEDD members jointly appoint the third member of the JEDD.

The JEDD's board exercises total control over the budgeting, appropriation, contracting, and management. The JEDD's board, pursuant to Section 715.74, has implemented a 1.7 percent income tax that will be used for the purposes of the JEDD. The continued existence of the JEDD is dependent upon the continued participation by the City of Zanesville and the Township; however, the City or Township does not have an equity interest in the JEDD. The JEDD is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial burden on the Township. The financial activity of the JEDD is presented as an agency fund on the City of Zanesville's financial statements due to the City serving as fiscal agent. Complete financial information can be obtained from the Zanesville-Newton Township Joint Economic Development District, Zanesville, Ohio.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

9. Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the financial statements of Newton Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated November 3, 2011, 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 also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the 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(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-02 and 2010-03 described in the accompanying Schedule of Findings to be material weaknesses.

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Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2010-01 and 2010-04 through 2010-06.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 3, 2011.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of Trustees and others within the Township. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

November 3, 2011

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-01

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

As of December 31, 2010, the following funds reflected expenditures which exceeded appropriations at the legal level of control:

Fund - Function – Object	Appropriations	Expenditures	Variance
General - General Government			
Salary - Fiscal Officer	\$20,000	\$20,381	(\$381)
General - Other Financing Uses -			
Transfers Out	\$0	\$10,000	(\$10,000)
Road and Bridge - Public Works			
Other Salaries	\$70,000	\$70,741	(\$741)
Fire Special Levy - General Government			
Other Salaries	\$6,000	\$6,532	(\$532)
Fire Special Levy - Public Safety Other -			
Dues and Fees	\$500	\$3,087	(\$2,587)
Fire Special Levy - Capital Outlay -			
Improvement of Sites	\$12,000	\$31,567	(\$19,567)
Fire Special Levy - Other Financing			
Uses - Transfers Out	\$50,000	\$57,300	(\$7,300)
Ambulance and Emergency Medical			
Services - General Government -			
Salaries	\$7,350	\$10,172	(\$2,822)
Ambulance and Emergency Medical			
Services - Other Financing Uses -			
Transfers Out	\$22,439	\$23,339	(\$900)
FEMA Grant - Public Safety - Other			
Supplies and Materials	\$0	\$72,165	(\$72,165)
Miscellaneous Debt Service – Fire			
Building Debt Service - Principal			
Payments	\$20,000	\$25,000	(\$5,000)
Miscellaneous Debt Service - Ladder			
Truck – Principal Payments	\$46,181	\$48,421	(\$2,240)

As of December 31, 2009, the following funds reflected expenditures which exceeded appropriations at the legal level of control:

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

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

FINDING NUMBER 2010-01 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)

Fund - Function – Object	Appropriations	Expenditures	Variance
General - General Government – Medical Hospitalization	\$10,000	\$22,420	(\$12,420)
Road and Bridge - Other Financing Uses - Transfers Out	\$0	\$50,000	(\$50,000)
Fire Special Levy - Capital Outlay - Machinery, Equipment and Furniture	\$6,572	\$8,004	(\$1,432)
Ambulance and Emergency Medical Services - General Government – Workers Compensation	\$0	\$20,000	(\$20,000)

The Township’s failure to limit expenditures to the amounts appropriated could result in deficit spending.

We recommend the Township Trustees and Township Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Township Trustees should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Township Fiscal Officer should deny requests for payment when appropriations are not available.

Officials’ Response: The Fiscal Officer and Trustee Board will continue to monitor appropriations vs. expenditures.

FINDING NUMBER 2010-02

Material Weakness

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook (revised March 2011) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

During 2010 and 2009, the Township’s receipts and disbursements were not always posted into accurate classifications. The following misclassifications were noted:

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

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

**FINDING NUMBER 2010-02
(Continued)**

Material Weakness (Continued)

- In 2009, homestead and rollback and manufactured homes homestead exemption receipts in the amount of \$33,106 were posted as Property and Other Local Taxes within the Fire Special Levy Fund instead of Intergovernmental receipts.
- In 2010, homestead and rollback receipts in the amount of \$3,399 were posted as Property and Other Local Taxes in the General Fund instead of Intergovernmental receipts.
- In 2010, homestead and rollback receipts in the amount of \$28,370 were posted as Property and Other Local Taxes in the Road and Bridge Fund instead of Intergovernmental receipts.
- In 2010, homestead and rollback receipts in the amount of \$32,032 were posted as Property and Other Local Taxes in the Fire Special Levy Fund instead of Intergovernmental receipts.
- In 2009, within the Ambulance and Emergency Medical Services Fund, receipts from ambulance runs in the amount of \$122,645, were classified as Other Financing Sources instead of Charges for Services.
- In 2009, within the Ambulance and Emergency Medical Services Fund, receipts from Township employees for prior audit findings in the amount of \$1,243, were classified as Other Financing Sources instead of Miscellaneous receipts.
- In 2010, a \$7,300 disbursement for installation of new radios was misclassified as Transfers Out instead of Public Safety in the Fire Special Levy Fund.

Material reclassifications with which the Township officials' agree are reflected within the accompanying financial statements.

We recommend the Township utilize available authoritative resources to appropriately classify receipt and disbursement transactions.

Officials' Response: This has all been corrected in 2011 bookkeeping.

FINDING NUMBER 2010-03

Material Weakness

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

The Township Fiscal Officer did not always accurately post budgeted receipts, and any amendments made to them, to the accounting system. Variances existed between the certificate of estimated resources and the amounts posted to the accounting system. The following table details these variances:

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

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

**FINDING NUMBER 2010-03
(Continued)**

Material Weakness (Continued)

Fund	Amount Per Last	Amounts Posted to	
2010	Amended	the	
	Certificate	Accounting	Variance
		System	
General	\$186,497	\$134,332	(\$52,165)
Motor Vehicle License			
Tax	\$21,731	\$19,949	(\$1,782)
Gasoline Tax	\$100,639	\$112,170	\$11,531
Road and Bridge	\$183,361	\$204,683	\$21,322
Fire Special Levy	\$287,787	\$244,748	(\$43,039)
Ambulance & EMS			
Services	\$133,600	\$129,661	(\$3,939)
Special Assessment Light	\$21,381	\$20,341	(\$1,040)
FEMA Grant	\$0	\$72,164	\$72,164

Fund	Amount Per Last	Amounts Posted to	
2009	Amended	the	
	Certificate	Accounting	Variance
		System	
General	\$154,217	\$179,017	\$24,800
Motor Vehicle License			
Tax	\$25,933	\$20,171	(\$5,762)
Gasoline Tax	\$130,455	\$92,152	(\$38,303)
Road and Bridge	\$173,697	\$204,880	\$31,183
Fire Special Levy	\$189,844	\$213,080	\$23,236
Ambulance & EMS			
Services	\$194,249	\$129,765	(\$64,484)
Special Assessment Light	\$20,550	\$20,381	(\$169)
Miscellaneous Debt			
Service	\$22,904	\$23,339	\$435
Capital Project Fund	\$0	\$100,000	\$100,000

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

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

**FINDING NUMBER 2010-03
(Continued)**

Material Weakness (Continued)

The Township Fiscal Officer did not always accurately post appropriations, and any amendments made to them, to the accounting system. Variances existed between the appropriation resolution / amendments and the amounts posted to the accounting system. The following table details these variances:

Fund	Amount Per Annual	Amounts Posted	Variance
2010	Appropriation	to the	
	Resolution	Accounting	
		System	
General	\$262,500	\$344,370	\$81,870
Road and Bridge	\$218,600	\$220,100	\$1,500
Fire Special Levy	\$275,250	\$283,300	\$8,050
Ambulance and EMS			
Services	\$222,039	\$222,939	\$900
FEMA Grant	\$0	\$89,000	\$89,000
Miscellaneous Debt Service			
#3901	\$48,625	\$52,825	\$4,200
Miscellaneous Debt Service			
#3903	\$23,804	\$22,905	(\$899)

Fund	Amount Per Annual	Amounts Posted	Variance
2009	Appropriation	to the	
	Resolution	Accounting	
		System	
Road and Bridge	\$177,625	\$247,115	\$69,490
Fire Special Levy	\$405,022	\$337,022	(\$68,000)
Capital Projects	\$200,000	\$300,000	\$100,000

Because the information entered into the accounting system was not always accurate, adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present appropriations approved by the Township Trustees and only include budgeted receipts as certified by the County Auditor. These adjustments were agreed to by the Township Fiscal Officer.

We recommend the Township Trustees approve all appropriation amendments, record approval in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Township Fiscal Officer should post these amendments only after obtaining the required approvals. We also recommend the Township Fiscal Officer record only estimated receipts from the Certificate of Estimated Resources and any amendments thereto.

Officials' Response: Board and Fiscal Officer will continue to monitor same.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

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

FINDING NUMBER 2010-04

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 Ohio Rev. Code Section 5705.41(D)(1) and 5705.41(D)(3), respectively:

Then and Now Certificate - If the fiscal officer can certify that both at the time 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 encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance. Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance of the Township 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.

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. 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.

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.

Sixteen percent of the non-payroll transactions tested in 2010 and 10 percent tested in 2009 did not have the prior certification of the Fiscal Officer, nor was there any evidence the Fiscal Officer was using a "then and now" certificate. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

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

**FINDING NUMBER 2010-04
(Continued)**

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (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 the Fiscal Officer certify that funds are or will be available prior to obligations being incurred by the Township. When prior certification is not possible, "then and now" certificates should be used.

We recommend the Township certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Responses: This will be corrected.

FINDING NUMBER 2010-05

Noncompliance Citation

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

Appropriations exceeded estimated resources at December 31, 2010 in the Ambulance Debt Service Fund by \$465. Additionally, at December 31, 2009, the Township's appropriations exceeded estimated resources in the Fire Special Levy Fund by \$87,809. This could cause the Township to spend in excess of their estimated resources.

We recommend the Fiscal Officer monitor its estimated revenue and appropriations to ensure that appropriations are within estimated resources.

Officials' Responses: Board will monitor same.

FINDING NUMBER 2010-06

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(2) states subject to divisions (A)(3) and (4) of this section, upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess.

NEWTON TOWNSHIP
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)

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

FINDING NUMBER 2010-06

Noncompliance Citation - Ohio Rev. Code Section 5705.36 (Continued)

Ohio Rev. Code 5705.36(A)(3) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the excess.

Ohio Rev. Code 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

For the year ended December 31, 2009 and December 31, 2010, appropriations exceeded the beginning balance plus actual receipts as follows:

<u>FYE</u>	<u>Fund</u>	<u>Amount</u>
2010	Ambulance and Emergency Medical Services Fund - 2281	(\$2,398)
	Ambulance Debt Service Fund - 2031	(\$465)
2009	Fire Special Levy Fund - 2191	(\$64,572)

Failure to obtain reduced amended certificates of estimated resources and to make corresponding reductions in appropriations could result in deficit spending.

We recommend the Fiscal Officer and Board of Trustees review budgeted and actual receipts each month to determine whether amended certificates of estimated resources are needed. When it is known that actual receipts will fall short of estimates, the Township should obtain a reduced amended certificate for the deficiency and reduce appropriations accordingly.

Officials' Response: Fiscal Officer/Board was not aware this was required until February 2011 training.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Finding for recovery issued under Ohio Rev. Code Section 505.60(A) for Trustee reimbursed for prescriptions and other medical supplies not considered to be out-of-pocket premiums.	Yes	
2008-002	Finding for recovery issued for cell phone use exceeding amount allowed per policy #0306.	Yes	
2008-003	Finding for recovery issued for unsupported credit card charges (Township Policy Manual Section 9.5 - Travel Expense).	Yes	
2008-004	Finding for recovery issued for mileage and meal costs exceeded amount allowed per policy (Township Policy Manual Section 9.5 - Travel Expense).	Yes	
2008-005	Ohio Rev. Code Section 5705.41(B), expenditures in excess of appropriations in various funds at the legal level of control.	No	Not Corrected; Repeated as Finding No. 2010-01.
2008-006	Not always accurately posting appropriations and estimated receipts to the accounting system.	No	Not Corrected; Repeated as Finding No. 2010-03.
2008-007	Not always accurately posting receipts and disbursements to appropriate receipt and expenditure classifications.	No	Not Corrected; Repeated as Finding No. 2010-02.

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Dave Yost • Auditor of State

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
NOVEMBER 15, 2011**