



**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

NEWTON TOWNSHIP
MUSKINGUM COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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, 2000 and 1999. 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.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards 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. We believe that our audit provides a reasonable basis for our opinion.

We were unable to obtain evidence supporting the billing services and corresponding receipts for the Emergency Medical Service Fund, nor were we able to satisfy ourselves as to those financial activities by other auditing procedures. Those financial activities are included in the Special Revenue Fund Type and represent 12% of total revenue in 1999 and 10% of total revenue in 2000, in the Special Revenue Fund Type.

The basis of accounting prescribed by the Auditor of State requires the Township to report outstanding encumbrances at year end as budgetary expenditures. The Township utilized blanket purchase orders to record encumbrances. Total encumbrances at December 31, 2000 and 1999 were reported as budgetary expenditures in Note 3, and as reserves for encumbrances on the Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances, rather than reporting only those amounts for which outstanding purchase commitments existed and canceling the remaining encumbrance amounts. It was not practical for us to determine the amounts by which encumbrances should have been recorded.

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 generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence supporting the billing services and corresponding receipts for the Emergency Medical Services Fund, and except for the effects of not limiting year end encumbrances to only outstanding purchase commitments, 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, 2000 and 1999, 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 21, 2001 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 the audit committee, 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.

Jim Petro
Auditor of State

June 21, 2001

**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, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$27,457	\$188,030	\$	\$215,487
Intergovernmental	59,548	97,435	59,780	216,763
Special Assessments		15,179		15,179
Charges for Services		39,300		39,300
Earnings on Investments	29,376	2,750		32,126
Other Revenue	1,078	2,050		3,128
Total Cash Receipts	<u>117,459</u>	<u>344,744</u>	<u>59,780</u>	<u>521,983</u>
Cash Disbursements:				
Current:				
General Government	89,113	6,265		95,378
Public Safety		55,879		55,879
Public Works	1,106	138,164		139,270
Health	2,376			2,376
Capital Outlay	<u>22,613</u>	<u>278,358</u>	<u>59,780</u>	<u>360,751</u>
Total Cash Disbursements	<u>115,208</u>	<u>478,666</u>	<u>59,780</u>	<u>653,654</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>2,251</u>	<u>(133,922)</u>	<u>0</u>	<u>(131,671)</u>
Fund Cash Balances, January 1	<u>304,665</u>	<u>398,715</u>	<u>0</u>	<u>703,380</u>
Fund Cash Balances, December 31	<u>\$306,916</u>	<u>\$264,793</u>	<u>\$0</u>	<u>\$571,709</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$23,993</u>	<u>\$0</u>	<u>\$23,993</u>

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, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$24,796	\$185,405	\$	\$210,201
Intergovernmental	254,348	106,937		361,285
Special Assessments		15,485		15,485
Charges for Services		47,525		47,525
Earnings on Investments	22,952	2,004		24,956
Other Revenue	2,957	12,300		15,257
Total Cash Receipts	<u>305,053</u>	<u>369,656</u>	<u>0</u>	<u>674,709</u>
Cash Disbursements:				
Current:				
General Government	101,640	5,281		106,921
Public Safety		61,470		61,470
Public Works		172,211		172,211
Health	2,283			2,283
Capital Outlay	45,517	85,765		131,282
Total Cash Disbursements	<u>149,440</u>	<u>324,727</u>	<u>0</u>	<u>474,167</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>155,613</u>	<u>44,929</u>	<u>0</u>	<u>200,542</u>
Other Financing Receipts/(Disbursements):				
Transfers-In	21,389	180		21,569
Transfers-Out		(21,389)	(180)	(21,569)
Total Other Financing Receipts/(Disbursements)	<u>21,389</u>	<u>(21,209)</u>	<u>(180)</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	177,002	23,720	(180)	200,542
Fund Cash Balances, January 1	<u>127,663</u>	<u>374,995</u>	<u>180</u>	<u>502,838</u>
Fund Cash Balances, December 31	<u>\$304,665</u>	<u>\$398,715</u>	<u>\$0</u>	<u>\$703,380</u>
Reserve for Encumbrances, December 31	<u>\$4,845</u>	<u>\$27,370</u>	<u>\$0</u>	<u>\$32,215</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, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Newton Township, Muskingum 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 general governmental services, including 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 and Investments

Money market mutual fund is recorded at share values reported by the mutual fund.

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 for constructing, maintaining and repairing Township roads and bridges.

Fire Special Levy Fund - This fund receives levy money for training, equipment, maintenance of equipment, supplies and salaries.

Emergency Medical Services Fund - This fund receives charges for services from ambulance runs and contracts with other entities for purchase of equipment.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Public Works Projects Fund- The Township received an Issue II grant from the State of Ohio through Muskingum County to resurface Fox Fire Drive.

E. 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 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the 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 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation, personal leave and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation, personal leave and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2000</u>	<u>1999</u>
Demand deposits	<u>\$21,500</u>	<u>\$23,030</u>
Money Market Mutual Funds	<u>550,209</u>	<u>680,350</u>
Total deposits and investments	<u><u>\$571,709</u></u>	<u><u>\$703,380</u></u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

Investments: The investment in the money market mutual fund is not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$92,402	\$117,459	\$25,057
Special Revenue	296,749	344,744	47,995
Capital Projects	<u>59,780</u>	<u>59,780</u>	<u>0</u>
Total	<u><u>\$448,931</u></u>	<u><u>\$521,983</u></u>	<u><u>\$73,052</u></u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$236,220	\$115,208	\$121,012
Special Revenue	532,640	502,659	29,981
Capital Projects	<u>0</u>	<u>59,780</u>	<u>(59,780)</u>
Total	<u><u>\$768,860</u></u>	<u><u>\$677,647</u></u>	<u><u>\$91,213</u></u>

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$315,011	\$326,442	\$11,431
Special Revenue	302,582	369,836	67,254
Debt Service	0	0	0
Total	\$617,593	\$696,278	\$78,685

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$198,080	\$154,285	\$43,795
Special Revenue	426,218	373,486	52,732
Debt Service	0	180	(180)
Total	\$624,298	\$527,951	\$96,347

Accountability and Compliance:

In numerous instances, blanket purchase orders were utilized by the Township to encumber funds. Rather than canceling encumbrances at year end and reporting only those encumbrances for which outstanding purchase commitments existed, total amounts on blanket purchase orders were reported as reserves for encumbrances on the financial statements and as budgetary expenditures above.

In other instances, the certification of availability of unencumbered appropriations for expenditure was not made prior to purchase commitments being incurred. Section 5705.41(D), Revised Code, requires a certificate of the fiscal officer to be attached to any order of expenditure, prior to a commitment being incurred.

The Township's expenditures exceeded appropriations by \$59,780 in the Capital Projects Fund during 2000 and by \$180 in the Debt Service Fund during 1999.

Various appropriation amounts which had not been approved by the Board of Trustees and filed with the County Auditor were posted to the Township's records. Section 5705.40, Ohio Revised Code, requires that any appropriation measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation. Appropriation amounts reported above include only those amounts approved by the Board of Trustees and filed with the County Auditor.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This 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 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 10.84% and 13.55% for 2000 and 1999, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2000.

6. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The Township also provides health insurance to full-time employees through a private carrier.

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL 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 accompanying financial statements of Newton Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 21, 2001, wherein we noted we were unable to obtain sufficient evidence supporting the billing services and corresponding receipts for the Emergency Medical Service Fund and the reserves for encumbrances. We conducted our audit in accordance with generally accepted auditing standards 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 2000-41060-001 through 2000-41060-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 21, 2001.

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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2000-41060-003 through 2000-441060-007.

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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2000-41060-003 and 2000-41060-005 through 2000-41060-007 to be material weaknesses. We also noted certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 21, 2001.

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

Jim Petro
Auditor of State

June 21, 2001

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-41060-001

Finding for Adjustment

Ohio Rev. Code Section 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. The August 1999 Homestead and Rollback receipts were posted entirely to the Township's General Fund instead of being properly divided between the General, Road and Bridge, and Fire Funds. In accordance with the foregoing facts, a finding for adjustment is hereby issued against the General Fund in the amount of \$9,699, in favor of the following funds, in the following amounts:

<u>Fund</u>	<u>Amounts</u>
Road and Bridge Fund	\$4,693
Fire Levy Fund	\$5,006

As of the date of this report, the Clerk is in agreement with this adjustment and has posted it to the Township's records. The 1999 financial statements reflect this adjustment.

FINDING NUMBER 2000-41060-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing authority shall expend money unless it has been appropriated.

The Clerk posted temporary appropriations to the Township's appropriations ledger on January 1 of each year, however, these appropriations were not approved by the Board of Trustees. During 1999, the permanent appropriation resolution was posted to the ledgers on January 19 but not filed with the County Auditor until March 5 and not signed by the Board until March 9. The Board's approval was not documented in the minutes. During 2000, the permanent appropriation resolution was posted to the ledgers on February 4, signed and approved by the Board on February 8, and filed with the County Auditor on February 9. All expenditures made prior to the adoption of appropriations were not in compliance with the aforementioned law.

We recommend temporary appropriations be adopted by the Board of Trustees and the Clerk record the adoption of appropriations in the Board's minutes. Expenditures should not be made until appropriations are adopted by the Board of Trustees and certified by the County Auditor.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

FINDING NUMBER 2000-41060-003

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 5705.40 provides that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation.

The Clerk posted amended appropriations to the appropriations ledger without obtaining Board approval and without obtaining the County Auditor's certification that total fund appropriations do not exceed estimated resources. The following schedules compare approved appropriations to those posted to the appropriations ledger.

Fund	Appropriations and Carry Over Encumbrances Posted to the UAN system for 2000	Approved Appropriations for 2000	Variance
General Fund	\$240,420	\$236,220	\$4,200
Road and Bridge Fund	196,470	152,970	43,500
Fire Levy Fund	139,973	139,953	20
EMS Fund	149,716	121,600	28,116
Light Special Assessment Fund	20,310	19,310	1,000
Issue II Fund	59,780	0	59,780
Total	\$808,669	\$670,053	\$138,616

Fund	Appropriations and Carry Over Encumbrances Posted to the UAN system for 1999	Approved Appropriations for 1999	Variance
Fire Levy Fund	\$138,543	\$114,012	\$24,531
FEMA Fund	13,980	11,638	2,342
Note Retirement Fund	180	0	180
Total	\$154,702	\$125,650	\$29,052

Appropriations as reported have been adjusted to reflect only those appropriations adopted by the Board, as noted in the Board's minutes.

We recommend the Township management review budgetary procedures for amending appropriations and file all appropriation amendments with the County Auditor in order to receive certification from the County Auditor that appropriations do not exceed estimated resources. In addition, we recommend the Clerk document Board approval of these appropriation amendments in the minutes.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

FINDING NUMBER 2000-41060-004

Noncompliance Citation and Reportable Condition (Continued)

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or is in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. Further, contracts and orders for expenditure lacking prior certification shall be null and void.

This section provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrance, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees.

Our testing disclosed the following:

- Appropriations were posted to the ledgers and purchase orders were certified prior to the adoption of the annual appropriation measure and filing with the County Auditor in 1999 and 2000. The Clerk could not certify the availability of funds if appropriations had not been adopted by the Board.
- The Township routinely used Then and Now Certificates on transactions which the officials would have been aware of far in advance. These included large transactions such as the purchase of an ambulance, sealing of Township roads, paving projects, insurance premiums, and the purchase of a dump truck and two pick up trucks. Although the use of Then and Now certificates is permitted by law, we believe a better practice would be for the Township to utilize Then and Now certificates on a limited basis.
- Blanket purchase orders were issued and not cancelled at year end. As a result, budgetary expenditures, which includes encumbrances, were overstated.

We recommend the Township utilize purchase orders to document the Clerk's prior certification of the availability of appropriated funds for proposed purchases before the liability is incurred. The use of super blanket purchase orders, which are not limited to 90 days and \$5,000, could reduce the quantity of purchase orders otherwise needed. Encumbrances at year end should be reviewed and any amounts encumbered which do not represent outstanding purchase commitments should be cancelled.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

FINDING NUMBER 2000-41060-005

Material Weakness - Township Emergency Medical Services

The Newton Township Volunteer Fire Department (the Department) provided fire and emergency medical services and the Department is considered part of Newton Township's operations. Therefore, the Board of Trustees are responsible for the management of the Department and the monitoring of its operations.

The Township management did not maintain an adequate set of records for the Department and the only records presented for audit were miscellaneous reports from the billing service for 2000 and run log sheets for April through December 2000. Due to the lack of records, we were unable to obtain assurances concerning the billing and revenue of the Department. In addition, the Board of Trustees were unable to monitor Department operations.

We recommend the Board of Trustees establish guidelines on the records to be maintained and document the Board's monitoring of the records in the minutes.

FINDING NUMBER 2000-41060-006

Material Weakness - Budgeted Receipts

The Township did not properly post the budgeted receipts to the accounting system. Variances existed between the certificates of estimated resources and the amounts posted to the accounting system throughout the year.

Fund	Budgeted Receipts at December 31, 2000 per the UAN system	2000 Budgeted Receipts per the final Certificate of Estimated Resources	Variance
General Fund	\$117,490	\$92,402	\$25,088
Motor Vehicle License Fund	27,000	22,145	4,855
Gasoline Tax Fund	51,550	46,762	4,788
Road and Bridge Fund	100,800	90,638	10,162
Fire Levy Fund	126,850	111,352	15,498
EMS Fund	34,850	51	34,799
Light Special Assessment Fund	15,200	15,450	(250)
FEMA Fund	0	10,351	(10,351)
Issue II Fund	59,780	59,780	0
Total	\$533,520	\$448,931	\$84,589

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

FINDING NUMBER 2000-41060-006 (Continued)

Material Weakness - Budgeted Receipts (Continued)

Fund	Budgeted Receipts at December 31, 1999 per the UAN system	1999 Budgeted Receipts per the final Certificate of Estimated Resources	Variance
General Fund	\$318,376	\$315,011	\$3,365
Motor Vehicle License Fund	30,000	22,440	7,560
Gasoline Tax Fund	55,300	46,410	8,890
Road and Bridge Fund	94,400	90,749	3,651
Fire Levy Fund	131,000	107,252	23,748
EMS Fund	42,550	20,631	21,919
Light Special Assessment Fund	20,000	15,100	4,900
FEMA Fund	2,445	0	2,445
Total	\$694,071	\$617,593	\$76,478

Because the information entered into the accounting system was inaccurate, the Township management was unable to effectively monitor budget versus actual activity during the year. It was necessary to make material audit adjustments to the budgetary financial statements in order to present the certified amount of estimated receipts.

We recommend the Clerk record only estimated receipts from the certificate of estimated resources and any amendment thereto. This would enable useful comparisons of estimated to actual receipts to be made throughout the year. The accompanying Note 3 presents only certified budgeted receipts.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

FINDING NUMBER 2000-41060-007

Material Weakness - Reserves for Encumbrances

The Township was unable to provide documentation which supported the encumbrances posted in the accounting system at year end. Encumbrances at year end should be based on an estimate of outstanding purchase commitments and the remaining balance, if any, should be cancelled. As a result, we believe encumbrances were overstated. It was not practical to determine the extent of the overstatement of encumbrances. The unencumbered fund balances certified to the County Auditor were also misstated.

We recommend the Clerk review all open purchase orders at year end. Any of these purchase orders representing commitments of that year which the Township intends to honor in the coming fiscal year, should be left open and reported as encumbrances at year end. Any open purchase orders which do not meet these criteria should be closed. When certifying to the County Auditor the balances that exist at the end of the year, the Clerk should first deduct from such balances any such encumbered but unexpended funds.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
1998-41060-001	The Township did not maintain an ambulance log sheet which included pertinent information to monitor ambulance run activity.	No.	Not Corrected - The lack of records has resulted in a scope limitation in the Report of Independent Accountants concerning ambulance run revenues. The Township still does not maintain adequate records supporting ambulance runs made, billings, revenues and outstanding accounts receivable.
1998-41060-002	The Township did not adequately document the ambulance run revenues.	No.	Not Corrected - The lack of records has resulted in a scope limitation in the Report of Independent Accountants concerning ambulance run revenues. The Township still does not maintain adequate records supporting ambulance runs made, billings, revenues and outstanding accounts receivable.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
JULY 10, 2001**