



**Auditor of State
Betty Montgomery**

NEWTON TOWNSHIP
MUSKINGUM COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Audit Findings	19

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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, 2002 and 2001. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were not able 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 Charges for Services in the Special Revenue Fund Type and represent 7% of total revenues in both 2002 and 2001.

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 of the Emergency Medical Services Fund, 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, 2002 and 2001, 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 April 10, 2003 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.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Newton Township
Muskingum County
Independent Accountants' Report
Page 2

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.

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

Betty Montgomery
Auditor of State

April 10, 2003

**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, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$28,714	\$346,577	\$375,291
Intergovernmental	72,630	108,916	181,546
Special Assessments		21,053	21,053
Charges for Services		65,091	65,091
Earnings on Investments	7,785	421	8,206
Other Revenue	4,380	70	4,450
	<u>113,509</u>	<u>542,128</u>	<u>655,637</u>
Cash Disbursements:			
Current:			
General Government	160,632	12,094	172,726
Public Safety		79,545	79,545
Public Works	5,334	241,281	246,615
Health	2,296		2,296
Debt Service:			
Redemption of Principal		70,000	70,000
Interest and Fiscal Charges		5,250	5,250
Capital Outlay	72,948	115,278	188,226
	<u>241,210</u>	<u>523,448</u>	<u>764,658</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(127,701)</u>	<u>18,680</u>	<u>(109,021)</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		2,000	2,000
Transfers-Out	(2,000)		(2,000)
Other Uses	(251)		(251)
	<u>(2,251)</u>	<u>2,000</u>	<u>(251)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(129,952)	20,680	(109,272)
Fund Cash Balances, January 1	<u>290,014</u>	<u>462,896</u>	<u>752,910</u>
Fund Cash Balances, December 31	<u>\$160,062</u>	<u>\$483,576</u>	<u>\$643,638</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$154,836</u>	<u>\$154,836</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, 2001**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Local Taxes	\$28,664	\$350,343	\$	\$379,007
Intergovernmental	62,764	131,398	28,314	222,476
Special Assessments		25,121		25,121
Charges for Services		57,794		57,794
Earnings on Investments	19,279	1,576		20,855
Other Revenue	3,099	7,472		10,571
	113,806	573,704	28,314	715,824
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	99,770	12,079		111,849
Public Safety		56,939		56,939
Public Works	27,971	192,591		220,562
Health	2,502			2,502
Capital Outlay	1,372	323,083	28,314	352,769
	131,615	584,692	28,314	744,621
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	(17,809)	(10,988)	0	(28,797)
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes		210,000		210,000
Transfers-In	907			907
Transfers-Out		(907)		(907)
	907	209,093	0	210,000
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(16,902)	198,105	0	181,203
Fund Cash Balances, January 1	306,916	264,791	0	571,707
Fund Cash Balances, December 31	\$290,014	\$462,896	\$0	\$752,910

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

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

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 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

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

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

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

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(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 for the resurfacing of Township roads.

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 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. 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. The Township did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(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:

	2002	2001
Demand deposits	\$9,059	\$15,804
Money Market Mutual Funds	634,579	737,106
Total deposits	\$643,638	\$752,910

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,510	\$113,509	\$76,999
Special Revenue	578,892	544,128	(34,764)
Capital Projects	10,200	0	(10,200)
Total	\$625,602	\$657,637	\$32,035

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$268,100	\$243,461	\$24,639
Special Revenue	574,690	678,284	(103,594)
Total	\$842,790	\$921,745	(\$78,955)

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$95,555	\$114,713	\$19,158
Special Revenue	683,667	783,704	100,037
Capital Projects	28,324	28,314	(10)
Total	\$807,546	\$926,731	\$119,185

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$224,600	\$131,615	\$92,985
Special Revenue	415,055	585,599	(170,544)
Capital Projects	0	28,314	(28,314)
Total	\$639,655	\$745,528	(\$105,873)

Accountability and Compliance

Contrary to Ohio law, the Township expended monies prior to the adoption of an appropriation measure during 2001.

Also contrary to Ohio law, budgetary expenditures exceeded appropriations in the Fire Levy Fund by \$225,391, in the Light Special Assessment Fund by \$945, and in the Capital Projects Fund by \$28,314 for the year ended December 31, 2001. For the year ended December 31, 2002, budgetary expenditures exceeded appropriations in the Road and Bridge Fund by \$6,488, in the Fire Levy Fund by \$33,566, and in the EMS Fund by \$91,100.

Although total fund budgetary expenditures did not exceed appropriations in the General, Road and Bridge and the EMS Funds, expenditures exceeded appropriations at the legal level of control for certain accounts within these funds during 2002, contrary to Ohio law. During 2001, expenditures exceeded appropriations at the legal level of control for certain accounts within the General, Light Special Assessment, and Capital Project Funds.

Amendments to the Township's appropriations were neither formally approved by the Board of Trustees, nor were they certified to the County Auditor, contrary to Ohio law.

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 payment, 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.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$140,000	6%
Total	\$140,000	

The general obligation notes were issued to finance the purchase of a new fire truck to be used for Township fire protection. The notes are collateralized solely by the Township's taxing authority.

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

	General Obligation Notes
Year ending December 31:	
2003	\$79,450
2004	83,650
Total	\$163,100

6. 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 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

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

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

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK MANAGEMENT (Continued)

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

The following risks are covered by the Plan:

- Comprehensive property and general liability;
- Wrongful Acts
- Automobile
- Bond
- Inland Marine
- Electronic Data Processing

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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, 2002 and 2001, and have issued our report thereon dated April 10, 2003, wherein we noted we were not able to obtain sufficient evidence supporting the billing services and receipts of the Emergency Medical Service Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-41060-001 through 2002-41060-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 10, 2003.

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 2002-41060-003, 2002-41060-005 and 2002-41060-006.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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, we consider the reportable conditions described above to be material weaknesses. We also noted other 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 April 10, 2003.

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

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

Betty Montgomery
Auditor of State

April 10, 2003

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-41060-001

Finding for Adjustment

Ohio Rev.Code § 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the money was received.

During 2001, the Township's Personal Property \$10,000 Exemption receipts were posted entirely to the Township's General Fund instead of being allocated among the General, Road and Bridge, and Fire Funds.

In accordance with the foregoing facts, and pursuant to Section 117.28, Revised Code, a finding for adjustment is hereby issued against, and in favor of, the following funds, in the following amounts:

Fund	Against	In Favor Of
General Fund	\$3,600	
Road and Bridge Fund		\$883
Fire Fund		\$2,717

We recommend the Clerk refer to the UAN chart of accounts when determining the appropriate accounts and funds that should be posted.

The aforementioned adjustment, with which management agrees, has been made to the Township's books and is reflected in the accompanying financial statements.

FINDING NUMBER 2002-41060-002

Noncompliance Citation

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

The Township expended \$57,167 prior to the adoption of an appropriation measure for 2001.

We recommend the Board of Trustees approve appropriations on or about the first day of each fiscal year. If the Board wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-41060-003

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.40 requires, in part, that when a subdivision amends or supplements the appropriation measure, it shall comply with the same provisions of the law as are used in making the original appropriation.

The Township Clerk posted multiple appropriation amendments throughout the audit period that were neither approved by the Board of Trustees, nor certified to the County Auditor. The following compares approved appropriations to those posted to the accounting system:

Fiscal Year	Fund	Appropriations Posted to the Accounting System	Appropriations Approved and Properly Filed	Variance
2002	General	\$330,123	\$268,100	\$62,023
2002	Motor Vehicle License	\$50,576	\$45,000	\$5,576
2002	Gasoline Tax	\$71,352	\$70,000	\$1,352
2002	Road and Bridge	\$139,067	\$132,250	\$6,817
2002	Fire Levy	\$586,422	\$275,440	\$310,982
2002	EMS	\$0	\$35,000	\$35,000
2002	Light Assessment	\$26,488	\$16,500	\$9,988
2001	General	\$233,400	\$224,600	\$8,800
2001	Road and Bridge	\$163,900	\$153,900	\$10,000
2001	Fire Levy	\$155,155	\$103,305	\$51,850
2001	Light Assessment	\$16,757	\$15,850	\$907
2001	Public Works Commission	\$38,786	\$0	\$38,786

We recommend Township management review budgetary procedures for amending appropriations 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. In addition, we recommend the Clerk document any budgetary amendments approved by the Board in the minutes and post these amendments only after approval has been obtained. The accompanying budgetary presentation includes only appropriations approved by the Board.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-41060-004

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

During the year ended December 31, 2002, the following Township funds had expenditures which exceeded appropriations:

<u>Fund</u>	<u>Authority</u>	<u>Disbursements</u>	<u>Variance</u>
Special Revenue Funds:			
Road and Bridge	\$132,250	\$138,738	(\$6,488)
Fire Levy	275,440	309,006	(33,566)
EMS	35,000	126,100	(91,100)

During the year ended December 31, 2001, the following Township funds had expenditures which exceeded appropriations:

<u>Fund</u>	<u>Authority</u>	<u>Disbursements</u>	<u>Variance</u>
Special Revenue Funds:			
Fire Levy	\$103,305	\$328,696	(\$225,391)
Light Assessment	15,850	16,795	(945)
Capital Projects Funds:			
Public Works Commission	0	28,314	(28,314)

Although total fund budgetary expenditures did not exceed appropriations in the General and Light Assessment Funds, expenditures exceeded appropriations at the legal level of control for certain accounts within these funds during 2002, contrary to Ohio law. During 2001, expenditures exceeded appropriations at the legal level of control for certain accounts within the General, EMS, Road and Bridge, and Public Works Commission Funds. The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Township.

The Clerk should deny payment requests exceeding appropriations, as required by Ohio Rev. Code Section 5705.41(D). We recommend the Board of Trustees and Clerk compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-41060-005

Material Weakness

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 monitoring its operations.

The Township did not maintain an adequate set of records concerning the billing and receipting for this Department. The following deficiencies were noted:

- There was no support or explanation for amounts "adjusted", i.e. written off as uncollectible. Although, we did note one instance in which a small amount of bills were approved by the Board as uncollectible, there were material amounts of receipts which were written off with no formal approval or explanation as to why they were deemed uncollectible. Additionally, there was no formal resolution/policy to document how or when an account is deemed uncollectible.
- Individual amounts received per the billing statements did not consistently agree to individual accounts in the receipts ledger. Additionally, for the two years under audit, we noted variances in total receipts received among the EMS Supervisor's records, the billing company's Paid Runs Report, and the financial statements as follows:

Fiscal Year	Per EMS Supervisor's Records	Per Billing Companies Records	Per Financial Statements
2001	\$50,866.05	\$54,330.35	\$52,090.47
2002	38,066.48	35,208.52	48,747.80

- There was no formal, documented reconciliation between the above noted reports to provide support for the variances between these reports.
- There was no formal documentation to indicate the Board of Trustees monitored the operations of the EMS Department.
- Individual patient accounts were not maintained to provide a detailed history of each account. Although, reports including this information were made available by the Township's billing company, they were not utilized by the Township.
- The Township's billing company did not have a SAS 70 audit (or equivalent) performed.

As a result, we were unable to obtain sufficient assurances concerning the billing and corresponding revenues of the Department. Additionally, the lack of records did not allow the Board of Trustees to effectively monitor operations.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-41060-005 (Continued)

Material Weakness (Continued)

We recommend the following:

- The Department should maintain a perpetual list of delinquent accounts. This would enable the Board of Trustees to monitor delinquent accounts to determine the proper actions to be taken.
- A formal policy should be approved by the Board of Trustees documenting the determination of delinquent account write-offs.
- Receipts should be monitored on a monthly basis by the Clerk, Board of Trustees, and the EMS supervisor. Records should be reconciled on a monthly basis to determine all receipts are properly posted to the financial statements of the Township.
- The Board of Trustees should receive a monthly statement of EMS billings, receipts, write-offs, and balances due. These reports should be reviewed and approved in the minutes.
- The EMS supervisor should contact the billing company to review the options they have as to reports they can receive. We suggest the Township request an Individual Account History Report which would detail the transactions made on each individual account.
- The Township should request the billing company obtain a SAS 70 audit (or equivalent) to provide users assurances over the reliability of the billing company's services.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-41060-006

Material Weakness

The Township did not properly post the budgeted receipts to the accounting system. Variances existed between the amounts on the Certificate of Estimated Resources and the amounts posted to the accounting system throughout the year.

The following details these variances:

Year	Fund	Budgeted Receipts per Amended Cert.	Budgeted Receipts per System	Variance
2001	General	\$95,555	\$117,406	\$21,851
2001	Motor Vehicle License	21,930	24,534	2,604
2001	Gasoline Tax	46,665	49,571	2,906
2001	Road and Bridge	116,643	122,444	5,801
2001	Fire Levy	483,129	296,344	186,785
2001	EMS	0	52,090	52,090
2001	Light Assessment	15,300	25,121	9,821
2001	Public Works Commission	28,324	38,786	10,462
2002	General	36,510	107,077	70,567
2002	Motor Vehicle License	27,540	24,238	3,302
2002	Gasoline Tax	52,581	50,425	2,156
2002	Road and Bridge	117,309	120,738	3,429
2002	Fire Levy	365,652	273,475	92,177
2002	EMS	0	48,748	48,748
2002	Light Assessment	15,810	21,053	5,243
2002	Public Works Commission	10,200	0	10,200

Because the information entered into the accounting system was inaccurate, Township management was unable to effectively monitor budgetary activity throughout the year.

We recommend the Clerk record only estimated receipts from the Certificate of Estimated Resources and any amendments thereto. The accompanying budgetary presentation includes only budgeted receipts certified by the County Auditor.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEARS ENDED
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-41060-001	Finding for Adjustment based on improper allocation of Homestead and Rollback monies	Yes	Corrected – Adjustment was made prior to release of prior audit report
2000-41060-002	Revised Code 5705.41(B), expenditures exceeding appropriations	No	Not Corrected – Finding will be repeated for FY 2001-2002 as finding number 2002-41060-004
2000-41060-003	Revised Code 5705.40, amending appropriations	No	Not Corrected – Finding will be repeated for FY 2001-2002 as finding number 2002-41060-003
2000-41060-004	Revised Code 5705.41(D), failure to certify funds	No	Partially Corrected – Citation will be repeated in the management letter based on immateriality
2000-41060-005	Failure to provide adequate support documentation for EMS transactions	No	Not Corrected – Finding will be repeated for FY 2001-2002 as finding number 2002-41060-005
2000-41060-006	Failure to properly post budgeted receipts to the accounting system	No	Not Corrected – Finding will be repeated for FY 2001-2002 as finding number 2002-41060-006
2000-41060-007	Failure to provide adequate support documentation for Reserve for Encumbrances	Yes	Corrected for current audit period



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
MAY 8, 2003**