



Mary Taylor, CPA  
Auditor of State



**NEWTON TOWNSHIP  
MUSKINGUM COUNTY**

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# Mary Taylor, CPA

Auditor of State

Newton Township  
Muskingum County  
8845 Bagley Rd  
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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 26, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Newton Township  
Muskingum County  
8845 Bagley Rd  
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, 2006 and 2005. 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(B) and 115.56 mandate 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.

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, 2006 and 2005 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, 2006 and 2005, 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, 2006 and 2005, 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 October 26, 2007, 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.



**Mary Taylor, CPA**  
Auditor of State

October 26, 2007

**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, 2006**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$38,114	\$408,803	\$51,025		\$497,942
Charges for Services		94,826			94,826
Intergovernmental	23,714	186,119			209,833
Special Assessments		19,635			19,635
Earnings on Investments	36,722	6,219			42,941
Miscellaneous	9,614	6,614			16,228
	<u>108,164</u>	<u>722,216</u>	<u>51,025</u>	<u>\$0</u>	<u>881,405</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	82,119	24,212			106,331
Public Safety		427,520			427,520
Public Works		177,384			177,384
Health	2,839				2,839
Capital Outlay		780,832		26,361	807,193
Debt Service:					
Redemption of Principal		14,521	20,000		34,521
Interest and Other Fiscal Charges		3,181	31,025		34,206
	<u>84,958</u>	<u>1,427,650</u>	<u>51,025</u>	<u>26,361</u>	<u>1,589,994</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>23,206</u>	<u>(705,434)</u>	<u>0</u>	<u>(26,361)</u>	<u>(708,589)</u>
<b>Other Financing Receipts:</b>					
Other Debt Proceeds		696,531			696,531
Sale of Fixed Assets	1,050	44,025			45,075
Other Financing Sources		190			190
	<u>1,050</u>	<u>740,746</u>	<u>0</u>	<u>0</u>	<u>741,796</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	24,256	35,312	0	(26,361)	33,207
Fund Cash Balances, January 1	153,176	560,632	0	26,361	740,169
<b>Fund Cash Balances, December 31</b>	<u><b>\$177,432</b></u>	<u><b>\$595,944</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$773,376</b></u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$3,886</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,886</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, 2005**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$35,238	\$366,957	\$50,825		\$453,020
Charges for Services		80,015			80,015
Intergovernmental	28,819	190,998			219,817
Special Assessments		20,985			20,985
Earnings on Investments	22,330	1,715			24,045
Miscellaneous	4,396	1,914			6,310
	<u>90,783</u>	<u>662,584</u>	<u>50,825</u>	<u>\$0</u>	<u>804,192</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	90,154	22,575			112,729
Public Safety		143,753			143,753
Public Works		227,312			227,312
Health	2,661				2,661
Capital Outlay	12,794	80,719		325	93,838
Debt Service:					
Redemption of Principal			20,000		20,000
Interest and Other Fiscal Charges			31,825		31,825
	<u>105,609</u>	<u>474,359</u>	<u>51,825</u>	<u>325</u>	<u>632,118</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(14,826)</u>	<u>188,225</u>	<u>(1,000)</u>	<u>(325)</u>	<u>172,074</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Transfers-In		17,396	1,000		18,396
Transfers-Out		(18,396)			(18,396)
Other Financing Sources		163			163
	<u>0</u>	<u>(837)</u>	<u>1,000</u>	<u>0</u>	<u>163</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(14,826)	187,388	0	(325)	172,237
Fund Cash Balances, January 1	168,002	373,244	0	26,686	567,932
<b>Fund Cash Balances, December 31</b>	<b><u>\$153,176</u></b>	<b><u>\$560,632</u></b>	<b><u>\$0</u></b>	<b><u>\$26,361</u></b>	<b><u>\$740,169</u></b>
Reserve for Encumbrances, December 31	<u>\$7</u>	<u>\$174,875</u>	<u>\$0</u>	<u>\$0</u>	<u>\$174,882</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, 2006 AND 2005**

**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 Zanesville-Newton Township Joint Economic Development District (JEDD), a joint venture and the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. 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, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**C. Fund Accounting (Continued)**

**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.

**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 the fire station lease-purchase agreement.

**4. Capital Projects Fund**

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 money for the construction of a Township fire station.

**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. 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 2006 and 2005 budgetary activity appears in Note 3.

**NEWTON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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 Cash**

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

	2006	2005
Demand deposits	\$773,376	\$740,169

**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, 2006 and 2005, follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,515	\$109,214	\$45,699
Special Revenue	622,410	1,462,962	840,552
Debt Service	51,025	51,025	0
Total	\$736,950	\$1,623,201	\$886,251

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$227,533	\$84,958	\$142,575
Special Revenue	795,950	1,431,536	(635,586)
Debt Service	51,025	51,025	0
Capital Projects	26,361	26,361	0
Total	\$1,100,869	\$1,593,880	(\$493,011)

**NEWTON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. Budgetary Activity (Continued)**

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,729	\$90,783	\$26,054
Special Revenue	644,402	680,143	35,741
Debt Service	51,825	51,825	0
Capital Projects	26,686	0	(26,686)
Total	\$787,642	\$822,751	\$35,109

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$232,731	\$105,616	\$127,115
Special Revenue	929,198	667,630	261,568
Debt Service	51,825	51,825	0
Capital Projects	26,686	325	26,361
Total	\$1,240,440	\$825,396	\$415,044

Contrary to Ohio law, amendments to appropriations posted to the computer system for 2006 and 2005 were not always approved by the Board of Trustees. Also contrary to Ohio law, budgetary expenditures exceeded appropriation authority at the legal level of control within several funds for the years ended December 31, 2006 and 2005.

**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.

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, 2006 AND 2005  
(Continued)**

**5. Debt**

Debt outstanding at December 31, 2006, was as follows:

	Principal	Interest Rates
Fire Station Lease-Purchase Agreement	\$540,000	2.25%
Ambulance Lease-Purchase Agreement	90,720	4.192%
Asphalt Zipper Lease-Purchase Agreement	66,609	4.84%
Fire Truck Lease-Purchase Agreement	524,681	4.84%
Total	\$1,222,010	

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.

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
2007	\$50,225	\$12,066	\$67,455	\$23,340
2008	49,425	12,066	67,455	23,340
2009	48,625	12,066	67,455	23,340
2010	52,825	12,066	67,455	23,340
2011	51,638	12,066	67,455	11,670
2012-2016	254,438	18,099	337,275	
2017-2021	257,225			
2022-2024	152,100			
Total	\$916,501	\$78,429	\$674,550	\$105,030

**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 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

**NEWTON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**NEWTON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. Risk Management (Continued)**

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, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$48,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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>	
2005	\$25,619
2006	\$24,169

**NEWTON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. Risk Management (Continued)**

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

**9. Contingent Liabilities**

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. 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.



# Mary Taylor, CPA

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, 2006 and 2005, and have issued our report thereon dated October 26, 2007, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-002 through 2006-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated October 26, 2007.

#### **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 2006-001 through 2006-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 26, 2007.

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 the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

October 26, 2007

**NEWTON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

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

**FINDING NUMBER 2006-001**

**Finding for Recovery Repaid Under Audit**

Ohio Rev. Code Section 507.09(A)(6) and (D)(7) provide that the township fiscal officer, in townships having a budget of more than seven hundred and fifty thousand but not more than one million five hundred thousand dollars, is entitled to compensation of fifteen thousand seven hundred and sixty-six dollars (\$15,766) for 2005.

In 2005, the Fiscal Officer, Bernadine Swingle, was paid \$15,980. This was due to an incorrect calculation by the Fiscal Officer. The following represents the excess amount paid to the Township Fiscal Officer in 2005:

	2005 Annual Salary per Ohio Rev. Code Section 507.09	2005 Annual Salary Paid	Difference
Bernadine Swingle	\$15,766	\$15,980	(\$214)

On August 18, 2007, Fiscal Officer Bernadine Swingle repaid \$214 to the Township and it was deposited to the credit of the General Fund.

**Officials' Response**

Monies have been repaid.

**FINDING NUMBER 2006-002**

**Finding for Recovery Repaid Under Audit/Significant Deficiency**

Section 9.5 (Travel Expense) of the Newton Township Personnel Policies and Procedures Manual, 2004 Edition, states, in part, that receipts for all expenses claimed are to be itemized and submitted within 30 days after such expenses are incurred. The policy further states that the cost of alcoholic beverages will not be reimbursed.

Ohio Attorney General Opinion No. 82-006 addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case of *State ex rel. McClure v. Hagerman (1951), 155 Ohio St. 320*, provides that the primary objective of an expenditure of public funds should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion No. 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditure as manifestly arbitrary and incorrect.

**NEWTON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**FINDING NUMBER 2006-002  
(Continued)**

**Finding for Recovery Repaid Under Audit/Significant Deficiency (Continued)**

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex rel. Village of Linndale v. Masten* (1985), 18 Ohio St. 3d 228.

In 2006 and 2005 a total of \$1,270 in unsupported credit card charges incurred by Fire Chief, David Allen Deaver, was paid by the Township. Vendors included Dantes Pizza, Super China Buffet, Alcatraz Brewing Company, Outback, Noble Romans Pizza, Houlihans, Smokey Bones, Cajun Grill, Hooters, Buca Di Beppo, Loughmillers Pub and Eatery, Rozzis Famous Fireworks, Bob Evans, Lowe's, Auto Zone, Advance Auto Parts, Olde Summit Towne Inc., and Speedway.

On August 18, 2007, the Newton Township Fire Department Association, on behalf of Fire Chief David Allen Deaver, repaid \$1,270 to the Township and it was deposited to the credit of the Fire Special Levy Fund.

We recommend the Township develop procedures to ensure there are itemized receipts for all transactions incurred against the Township credit card.

**Officials' Response**

Monies have been repaid. A credit policy is in place and the process has been explained to all involved.

**FINDING NUMBER 2006-003**

**Noncompliance and Significant Deficiency**

Ohio Rev. Code Section 5705.10(H) states that money paid into a fund shall be used only for the purposes for which said fund has been established. As the Fiscal Officer's duties are administrative in nature, the Fiscal Officer's salary and benefits should therefore be paid from the Township's General Fund.

During 2006 and 2005, the Township paid \$6,766 and \$10,848, respectively, of the Fiscal Officer's salary from the Road and Bridge Fund.

The accompanying financial statements reflect this adjustment. Management was in agreement with this finding and on October 18, 2007, an adjustment was posted to the Township's accounting records decreasing the fund balance of the General Fund and increasing the fund balance in the Road and Bridge Fund by \$17,614.

We recommend the Township pay all of the Fiscal Officer's future salary and benefits from the Township's General Fund.

**NEWTON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-003  
(Continued)**

**Noncompliance and Significant Deficiency – Ohio Rev. Code Section 5705.10(H) (Continued)**

**Officials’ Response**

Misunderstanding of fund establishment and usage procedure. Process will be handled differently as we move forward.

**FINDING NUMBER 2006-004**

**Noncompliance and Significant Deficiency**

Ohio Admin. Code Section 117-2-02(C)(1) requires the government’s internal controls 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.

The Fiscal Officer did not accurately post appropriations to the Uniform Accounting Network (UAN) appropriation ledgers. Variances existed between the amount approved by the Board of Trustees and the amount posted to the accounting system as follows:

December 31, 2006:

Fund	Approved Appropriations	Appropriations per the UAN system	Variance
Fire Special Levy	\$429,058	\$582,773	(\$153,715)

December 31, 2005:

Fund	Approved Appropriations	Appropriations per the UAN system	Variance
Fire Special Levy	\$456,291	\$467,291	(\$11,000)
Ambulance and Emergency Medical Services	68,648	123,648	(55,000)
FEMA Storm Drainage	0	34,792	(34,792)

**NEWTON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-004  
(Continued)**

**Noncompliance and Significant Deficiency – Ohio Admin. Code Section 117-2-02(C)(1) (Continued)**

Also, the Fiscal Officer did not properly post budgeted receipts to the accounting system. Variances existed between the certificate of estimated resources and the amounts posted to the accounting system throughout the year. The following details these variances:

December 31, 2006:

Fund	Budgeted Receipts per Amended Certificate	Budgeted Receipts per Accounting System	Variance
General	\$63,515	\$109,214	(\$45,699)
Motor Vehicle License Tax	16,376	27,882	(11,506)
Gasoline Tax	31,708	103,446	(71,738)
Road and Bridge	141,035	167,469	(26,434)
Fire Special Levy	393,290	419,705	(26,415)
Ambulance and Emergency Medical Services	40,000	128,294	(88,294)
Special Assessment	0	19,635	(19,635)

December 31, 2005:

Fund	Budgeted Receipts per Amended Certificate	Budgeted Receipts per Accounting System	Variance
General	\$64,729	\$90,783	(\$26,054)
Motor Vehicle License Tax	28,784	27,855	929
Gasoline Tax	77,969	95,549	(17,580)
Road and Bridge	143,179	162,577	(19,398)
Fire Special Levy	288,677	292,721	(4,044)
Ambulance and Emergency Medical Services	60,000	17,020	42,980
Special Assessment	28,397	20,985	7,412

Because the information entered into the accounting system was inaccurate, Township management was unable to effectively monitor budget verses actual activity. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present appropriations approved by the Board of Trustees and only include budgeted receipts certified by the County Auditor.

We recommend the Board of 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 Fiscal Officer should post these amendments only after the required approvals have been obtained. We also recommend the Fiscal Officer record only estimated receipts from the Certificate of Estimated Resources and any amendments thereto.

**NEWTON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2006-004  
(Continued)**

**Noncompliance and Significant Deficiency – Ohio Admin. Code Section 117-2-02(C)(1) (Continued)**

**Officials' Response**

Budgeting was completed and monies were evaluated at "Header Level" and not on a "Line item" basis to the extent needed. This is a misunderstanding that will be fixed as we move forward.

**FINDING NUMBER 2006-005**

**Noncompliance and Significant Deficiency**

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

The Township appropriated at the fund/function/object level.

**NEWTON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**FINDING NUMBER 2006-005  
(Continued)**

**Noncompliance and Significant Deficiency – Ohio Rev. Code Section 5705.41(B) (Continued)**

During the year ended December 31, 2006, the Township had expenditures exceeding appropriations as follows:

<b>Fund</b>	<b>2006 Appropriations</b>	<b>2006 Expenditures</b>	<b>Variance</b>
<b><u>General Fund</u></b>			
General Government			
Salaries-Trustees	\$16,000	\$17,223	(\$1,223)
Salaries-Fiscal Officer	9,750	16,238	(6,488)
Worker's Compensation	4,000	6,818	(2,818)
<b><u>Road &amp; Bridge Fund</u></b>			
Public Works			
Other Supplies	35,000	60,540	(25,540)
Other Expenses	5,000	10,906	(5,906)
Capital Outlay			
Machinery, Equipment & Furniture	0	71,850	(71,850)
<b><u>Fire Special Levy Fund</u></b>			
Public Safety			
Worker's Compensation	2,000	8,000	(6,000)
Supplies and Materials	25,000	266,208	(241,208)
Capital Outlay			
Improvement of Sites	35,000	167,117	(132,117)
Machinery, Equipment & Furniture	0	524,681	(524,681)
<b><u>Ambulance and Emergency Medical Services Fund</u></b>			
Public Safety			
Training Services	7,500	9,470	(1,970)
Supplies and Materials	7,500	18,637	(11,137)

**NEWTON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**FINDING NUMBER 2006-005  
(Continued)**

**Noncompliance and Significant Deficiency – Ohio Rev. Code Section 5705.41(B) (Continued)**

During the year ended December 31, 2005, the Township had expenditures exceeding appropriations as follows:

Fund	2005 Appropriations	2005 Expenditures	Variance
<b><u>General Fund</u></b>			
General Government			
Salaries-Fiscal Officer	\$5,000	\$15,980	(\$10,980)
Medicare	1,600	1,702	(102)
Worker's Compensation	4,000	12,003	(8,003)
<b><u>Motor Vehicle License Tax Fund</u></b>			
Public Works			
Other Supplies	10,500	14,384	(3,884)
<b><u>Gasoline Tax Fund</u></b>			
Public Works			
Operating Supplies	34,275	39,061	(4,786)
<b><u>Fire Special Levy Fund</u></b>			
Other Financing Uses			
Transfers-Out	0	1,000	(1,000)
<b><u>Ambulance and Emergency Medical Services Fund</u></b>			
Public Safety			
Supplies and Materials	10,000	14,199	(4,199)
Other Expenses	5,248	17,792	(12,544)
Public Works			
Natural Gas	3,750	4,660	(910)
<b><u>Federal Emergency Management Agency Fund</u></b>			
Other Financing Uses			
Transfers-Out	0	17,396	(17,396)

The significant variances in the capital outlay accounts of the Road and Bridge and Fire Special Levy Funds in 2006 were attributable to audit adjustments related to debt proceeds and corresponding capital outlay expenditure for which the Township did not budget.

**NEWTON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2006-005  
(Continued)**

**Noncompliance and Significant Deficiency – Ohio Rev. Code Section 5705.41(B) (Continued)**

To help ensure the Board of Trustees are not making expenditures in excess of appropriations, we recommend the Trustees and Fiscal Officer compare expenditures to appropriations at the legal level of control, in this case at the fund/function/object level, on a monthly basis. If appropriations in addition to those already adopted will be needed, then the Trustees should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations. After obtaining Trustee approval for appropriations, a certification should be obtained from the County Budget Commission that appropriations do not exceed the estimated resources. The Fiscal Officer and the Trustees should not make any expenditure until appropriations are available.

**Officials' Response**

Appropriations will be adjusted mid-year accordingly moving forward.



**Mary Taylor, CPA**  
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  
DECEMBER 11, 2007**