



Mary Taylor, CPA
Auditor of State

NEWTON TOWNSHIP
LICKING COUNTY

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Mary Taylor, CPA
Auditor of State

Newton Township
Licking County
3579 Chestnut Hills Road
Newark, Ohio 43055

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 Township 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.

Mary Taylor

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Auditor of State

July 29, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Newton Township
Licking County
3579 Chestnut Hills Road
Newark, Ohio 43055

To the Board of Trustees:

We have audited the accompanying financial statements of Newton Township, Licking County, Ohio (the Township) as of and for the years ended December 31, 2009 and 2008. 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, 2009 and 2008 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 July 29, 2010 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 of Newton Township, Licking County, Ohio, as of December 31, 2009 and 2008, 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 July 29, 2010 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

July 29, 2010

**NEWTON TOWNSHIP
LICKING COUNTY**

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

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	(Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$58,865.18	\$271,986.05	\$0.00	\$330,851.23
Charges for Services	0.00	20,000.00	0.00	20,000.00
Licenses, Permits, and Fees	4,940.14	72,103.00	0.00	77,043.14
Intergovernmental	52,345.42	169,162.79	0.00	221,508.21
Special Assessments	3,849.43	0.00	0.00	3,849.43
Earnings on Investments	5,209.14	1,895.00	0.00	7,104.14
Miscellaneous	8,564.95	52,210.35	0.00	60,775.30
	<u>133,774.26</u>	<u>587,357.19</u>	<u>0.00</u>	<u>721,131.45</u>
Total Cash Receipts				
	133,774.26	587,357.19	0.00	721,131.45
Cash Disbursements:				
Current:				
General Government	127,534.98	0.00	0.00	127,534.98
Public Safety	0.00	123,474.10	0.00	123,474.10
Public Works	3,992.44	215,179.66	0.00	219,172.10
Health	26,951.98	108,985.83	0.00	135,937.81
Capital Outlay	7,055.00	36,796.57	0.00	43,851.57
	<u>165,534.40</u>	<u>484,436.16</u>	<u>0.00</u>	<u>649,970.56</u>
Total Cash Disbursements				
	165,534.40	484,436.16	0.00	649,970.56
Total Receipts Over/(Under) Disbursements	<u>(31,760.14)</u>	<u>102,921.03</u>	<u>0.00</u>	<u>71,160.89</u>
Other Financing Receipts:				
Transfers-In	0.00	4,845.00	0.00	4,845.00
	<u>0.00</u>	<u>4,845.00</u>	<u>0.00</u>	<u>4,845.00</u>
Total Other Financing Receipts				
	0.00	4,845.00	0.00	4,845.00
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(31,760.14)</u>	<u>107,766.03</u>	<u>0.00</u>	<u>76,005.89</u>
Fund Cash Balance, January 1	<u>201,020.30</u>	<u>775,715.19</u>	<u>60.94</u>	<u>976,908.82</u>
Fund Cash Balance, December 31	<u><u>\$169,260.16</u></u>	<u><u>\$888,326.22</u></u>	<u><u>\$60.94</u></u>	<u><u>\$1,057,759.71</u></u>

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

NEWTON TOWNSHIP
LICKING COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGE IN
FUND CASH BALANCE - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Fiduciary Fund Type Agency</u>
Operating Cash Receipts:	
Licenses, Permits and Fees	\$13,165.00
Total Operating Cash Receipts	<u>13,165.00</u>
Operating Income	<u>13,165.00</u>
Income Before Interfund Transfers	<u>13,165.00</u>
Transfers-Out	(4,845.00)
Fund Cash Balance, January 1	<u>136,305.19</u>
Fund Cash Balance, December 31	<u><u>\$144,625.19</u></u>

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

**NEWTON TOWNSHIP
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$60,414.99	\$280,979.55	\$0.00	\$341,394.54
Charges for Services	0.00	10,000.00	0.00	10,000.00
Licenses, Permits, and Fees	10,953.80	60,525.00	0.00	71,478.80
Fines and Forfeitures	0.00	2,639.70	0.00	2,639.70
Intergovernmental	91,347.46	254,138.76	0.00	345,486.22
Special Assessments	3,882.41	0.00	0.00	3,882.41
Earnings on Investments	17,230.34	6,436.00	0.00	23,666.34
Miscellaneous	5,076.81	51,503.00	0.00	56,579.81
	<u>188,905.81</u>	<u>666,222.01</u>	<u>0.00</u>	<u>855,127.82</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	116,966.18	0.00	0.00	116,966.18
Public Safety	0.00	97,064.74	0.00	97,064.74
Public Works	3,996.15	230,617.45	0.00	234,613.60
Health	28,100.31	114,811.34	0.00	142,911.65
Capital Outlay	72,749.79	299,276.55	0.00	372,026.34
	<u>221,812.43</u>	<u>741,770.08</u>	<u>0.00</u>	<u>963,582.51</u>
Total Cash Disbursements				
Total Receipts (Under) Disbursements	<u>(32,906.62)</u>	<u>(75,548.07)</u>	<u>0.00</u>	<u>(108,454.69)</u>
Other Financing Receipts:				
Transfers-In	0.00	5,715.00	0.00	5,715.00
	<u>0.00</u>	<u>5,715.00</u>	<u>0.00</u>	<u>5,715.00</u>
Total Other Financing Receipts				
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	<u>(32,906.62)</u>	<u>(69,833.07)</u>	<u>0.00</u>	<u>(102,739.69)</u>
Fund Cash Balance, January 1	<u>233,926.92</u>	<u>845,548.26</u>	<u>60.94</u>	<u>1,079,536.12</u>
Fund Cash Balance, December 31	<u><u>\$201,020.30</u></u>	<u><u>\$775,715.19</u></u>	<u><u>\$60.94</u></u>	<u><u>\$976,796.43</u></u>

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

NEWTON TOWNSHIP
LICKING COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGE IN
FUND CASH BALANCE - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Fiduciary Fund Type Agency</u>
Operating Cash Receipts:	
Licenses, Permits and Fees	\$17,518.00
Total Operating Cash Receipts	<u>17,518.00</u>
Operating Income	<u>17,518.00</u>
Income Before Interfund Transfers	<u>17,518.00</u>
Transfers-Out	(5,715.00)
Fund Cash Balance, January 1	<u>124,502.19</u>
Fund Cash Balance, December 31	<u><u>\$136,305.19</u></u>

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

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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

The Township participates in the Ohio Government Risk Management Plan, a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values its repurchase agreement at cost.

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

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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.

Cemetery Fund - This fund receives money from opening, closing and the sale of lots for the care of Township cemeteries

Fire District Fund – This money receives taxes and intergovernmental money for fire protection of the Township persons and property.

3. Fiduciary Fund (Agency Fund)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for the prepayments of opening and closing fees for future burials.

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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. 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.

G. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	2009	2008
Demand deposits	\$50,000	\$50,000
Total deposits	50,000	50,000
Repurchase agreement	1,152,385	1,063,102
Total investments	1,152,385	1,063,102
Total deposits and investments	\$1,202,385	\$1,113,102

Deposits: Deposits are insured by the Federal Depository Insurance Corporation and collateralized by securities specifically pledged by the financial institution to the Township.

Investments: The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$141,839	\$133,774	(\$8,065)
Special Revenue	603,297	592,202	(11,095)
Agency	12,000	13,165	1,165
Total	\$757,136	\$739,141	(\$17,995)

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$342,859	\$165,534	\$177,325
Special Revenue	1,378,860	484,436	894,424
Debt Service	61	0	61
Agency	148,305	4,845	143,460
Total	\$1,870,085	\$654,815	\$1,215,270

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$154,810	\$188,906	\$34,096
Special Revenue	645,430	671,937	26,507
Agency	12,000	17,518	5,518
Total	\$812,240	\$878,361	\$66,121

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$388,737	\$222,812	\$165,925
Special Revenue	1,490,978	741,770	749,208
Debt Service	61	0	61
Agency	136,502	5,715	130,787
Total	\$2,016,278	\$970,297	\$1,045,981

4. Property Tax

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

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Property Tax (Continued)

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. Retirement Systems

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

6. Risk Management

Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Township participates in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Township does not participate in this coverage.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Risk Management (Continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2008 and 2009 and include amounts for both OPRRM and OPHC:

	2008	2009
Assets	\$10,471,114	\$11,176,186
Liabilities	(5,286,781)	(4,852,485)
Members' Equity	\$5,184,333	\$6,323,701

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.



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
Licking County
3579 Chestnut Hills Road
Newark, Ohio 43055

To the Board of Trustees:

We have audited the financial statements of Newton Township, Licking County, Ohio (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 29, 2010 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Government's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of 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 internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2009-001 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 29, 2010.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 29, 2010

**NEWTON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-001

Financial Statement Presentation - Significant Deficiency

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements.

The Fiscal Officer did not always accurately post receipts and disbursements to the Township's accounting system and financial statements. The following posting errors were noted:

- In the General Fund in 2008 and 2009, \$5,961 and \$3724, respectively, were reclassified out of Miscellaneous Receipts and into License, Permits and Fees for cable franchise fees.
- In the General Fund in 2009, \$2,281 was reclassified out of Miscellaneous Receipts and into Intergovernmental for utility and deregulation monies.
- In the General Fund in 2009, \$3,485 and \$1,353 was adjusted out of Miscellaneous Receipts and Earnings On Investment, respectively, and used to reduce the General Government Expenditure line item, for insurance proceeds received.
- In the Road and Bridge Fund in 2008 and 2009, \$1,163 and \$4,877, respectively, were reclassified out of Miscellaneous Receipts and into Intergovernmental for utility and deregulation monies.
- In the Road and Bridge Fund in 2008 and 2009, \$4,711 and \$3,829, respectively, FEMA grant monies were posted, rather than creating their own fund to deposit the grants.
- In the Fire Fund in 2008 and 2009, \$98,030 and \$7,850, respectively, were reclassified out of Miscellaneous Receipts and into Intergovernmental for fire department grants.
- In the Fire Fund in 2008 and 2009, \$1,872 and \$6,611, respectively, were reclassified out of Miscellaneous Receipts and into Intergovernmental for utility and deregulations monies.
- In the Fire Fund in 2008 and 2009, \$4,200 and \$2,375, respectively, were adjusted out of Miscellaneous Receipts to reduce Capital Outlay expenditures, for insurance proceeds received.
- In the Cemetery Operating Fund in 2008 and 2009, \$46,750 and \$53,978, respectively, were reclassified out of Miscellaneous Receipts and into Licenses, Permits and Fees for opening and closing burial fees.
- In the Cemetery Operating Fund in 2008 and 2009, \$7,329 and \$5,924, respectively, were reclassified out of Fines and Forfeitures and into Miscellaneous Receipts for rental receipts from cemetery farmland and buildings.

**NEWTON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-001 (Continued)

Financial Statement Presentation - Significant Deficiency (Continued)

- In the Cemetery Agency Fund in 2008 and 2009, \$17,518 and \$13,165, respectively, were reclassified out of Miscellaneous Receipts and into Licenses, Permits and Fees for prepaid opening and closing burial fees.

Not posting receipts and disbursements accurately to the ledgers resulted in the financial statements requiring audit reclassifications and adjustments; furthermore, inaccurate accounting records could make it difficult for the Board of Trustees to effectively monitor the Township's activities or identify misstatements or errors in a timely manner

We recommend the Township's Fiscal Officer takes steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions and Ohio Township Handbook.

FINDING NUMBER 2009-002

Ohio Rev. Code 5705.41(D) - Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificates - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly Newton Township

**NEWTON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-002 (Continued)

Ohio Rev. Code 5705.41(D) - Noncompliance Citation (Continued)

appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of the expenditures by the Township.

2. Blanket certificates - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate - The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

The Township did not certify the availability of funds prior to the purchase commitment for \$196,213 and \$30,102 of expenditures tested during 2008 and 2009, respectively.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to obligation by the Fiscal Officer. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the

**NEWTON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-002 (Continued)

Ohio Rev. Code 5705.41(D) - Noncompliance Citation (Continued)

time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

We did not receive an Official response to the findings noted above.

**NEWTON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	OAC 117-2-02 – Accounting Records ORC 5705.36 – Appropriations exceeding Actual Resources ORC 5705.40 – Appropriation Amendments	Partially	ORC 5705.36 reissued in the management letter.
2007-002	ORC 5705.41(B) – Expenditures Exceeding Appropriations	Yes	
2007-003	Financial Statement Presentation	No	Reissued as 2009-001

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Mary Taylor, CPA
Auditor of State

NEWTON TOWNSHIP

LICKING COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 7, 2010**