



Mary Taylor, CPA
Auditor of State

NEWTON TOWNSHIP
PIKE COUNTY

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Mary Taylor, CPA
Auditor of State

Newton Township
Pike County
2027 Williams Road
Piketon, Ohio 45661

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

August 5, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Newton Township
Pike County
2027 Williams Road
Piketon, Ohio 45661

To the Board of Trustees:

We have audited the accompanying financial statements of Newton Township, Pike County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006. 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 paragraphs 6, 7, and 8, 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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

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During 2007, the Township improperly paid salaries for the Township Trustees from the Gasoline Tax Fund in the amount of \$23,818, from the Cemetery Fund in the amount of \$2,304, and from the Road and Bridge Fund in the amount of \$14, which should have been paid from the General Fund. Due to the impact these adjustments would have on the General Fund, the Township has declined to make these adjustments this audit period.

During 2006, the Township improperly paid salaries for the Township Trustees from the Gasoline Tax Fund in the amount of \$1,108 and from the Cemetery Fund in the amount of \$554 which should have been paid from the General Fund. Due to the impact these adjustments would have on the General Fund, the Township has declined to make these adjustments this audit period.

Had the posting errors noted in the preceding two paragraphs been properly posted to the financial statements and the accounting system, the General Fund cash fund balance would have been decreased by \$27,798, the Gasoline Tax Fund cash fund balance would have increased by \$24,926, the Cemetery Fund cash balance would have increased by \$2,858 and the Road and Bridge Fund cash fund balance would have increased by \$14.

Also, in our opinion, except for the effects of such adjustments, if any, were made to the financial statements due to the errors described in the preceding three paragraphs, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Newton Township, Pike County, as of December 31, 2007 and 2006, 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 August 5, 2008, 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

August 5, 2008

**NEWTON TOWNSHIP
PIKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$17,939	\$39,443	\$	\$57,382
Intergovernmental	21,623	103,896		125,519
Earnings on Investments	467	85		552
Miscellaneous	351			351
Total Cash Receipts	40,380	143,424	0	183,804
Cash Disbursements:				
Current:				
General Government	32,657			32,657
Public Safety		19,011		19,011
Public Works		103,590		103,590
Health		4,871		4,871
Other			2,106	2,106
Debt Service:				
Redemption of Principal		95,029		95,029
Interest and Other Fiscal Charges		3,762		3,762
Total Cash Disbursements	32,657	226,263	2,106	261,026
Total Cash Receipts Over/(Under) Cash Disbursements	7,723	(82,839)	(2,106)	(77,222)
Other Financing Receipts / (Disbursements):				
Sale of Notes		76,765		76,765
Total Other Financing Receipts / (Disbursements)	0	76,765	0	76,765
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	7,723	(6,074)	(2,106)	(457)
Fund Cash Balances, January 1	13,515	99,132	2,106	114,753
Fund Cash Balances, December 31	\$21,238	\$93,058	\$0	\$114,296

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

**NEWTON TOWNSHIP
PIKE 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**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$18,039	\$37,793	\$	\$55,832
Intergovernmental	27,495	96,544	2,106	126,145
Earnings on Investments	300	216		516
Miscellaneous	1,332	235		1,567
Total Cash Receipts	47,166	134,788	2,106	184,060
Cash Disbursements:				
Current:				
General Government	30,332			30,332
Public Safety		19,392		19,392
Public Works		67,574		67,574
Health		4,938		4,938
Debt Service:				
Redemption of Principal		112,642		112,642
Interest and Other Fiscal Charges		4,401		4,401
Total Cash Disbursements	30,332	208,947	0	239,279
Total Cash Receipts Over/(Under) Cash Disbursements	16,834	(74,159)	2,106	(55,219)
Other Financing Receipts / (Disbursements):				
Sale of Notes		95,029		95,029
Total Other Financing Receipts / (Disbursements)	0	95,029	0	95,029
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	16,834	20,870	2,106	39,810
Fund Cash Balances, January 1	(3,319)	78,262	0	74,943
Fund Cash Balances, December 31	\$13,515	\$99,132	\$2,106	\$114,753

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

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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, Pike 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, and fire protection. The Township contracts with the Elm Grove Volunteer Fire Department to provide fire services.

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 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.

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:

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

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

Fire District - This fund receives property tax money for fire prevention and protection.

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Capital Project 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 Project Fund:

FEMA Fund - The Township received a grant from the State of Ohio to repair damages from weather related damage.

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. 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

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. 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 2007 and 2006 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

F. Accumulated Leave

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

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

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:

	2007	2006
Demand deposits	\$114,296	\$114,753

Deposits: Deposits are either 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, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,106	\$40,380	\$2,274
Special Revenue	240,677	220,189	(20,488)
Capital Projects	0	0	0
Total	\$278,783	\$260,569	(\$18,214)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$42,363	\$32,657	\$9,706
Special Revenue	114,900	226,263	(111,363)
Capital Projects	2,106	2,106	0
Total	\$159,369	\$261,026	(\$101,657)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,827	\$47,166	\$1,339
Special Revenue	240,702	229,817	(10,885)
Capital Projects	0	2,106	2,106
Total	\$286,529	\$279,089	(\$7,440)

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$28,811	\$30,332	(\$1,521)
Special Revenue	215,574	208,947	6,627
Capital Projects	2,106	0	2,106
Total	\$246,491	\$239,279	\$7,212

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.

Public utilities are also taxed on personal and real property located within the Township.

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

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

5. DEBT

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Loan for purchase of truck	\$76,765	3.90%

The Township purchased a truck through a third-party financing company to be used for maintenance of Township roads.

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

	Truck Loan
Year ending December 31: 2008	\$79,779

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. RETIREMENT SYSTEM

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 the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

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. 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 PEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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.

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. RISK MANAGEMENT (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 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 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$2,523. 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.

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. RISK MANAGEMENT (Continued)

<u>Contributions to OTARMA</u>	
2006	\$2,181
2007	\$2,684

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide 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.

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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
Pike County
2027 Williams Road
Piketon, Ohio 45661

To the Board of Trustees:

We have audited the financial statements of Newton Township, Pike County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 5, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also qualified our report on the 2007 and 2006 financial statements of the General, Gasoline Tax, Road and Bridge, and Cemetery Funds due to the Township declining to make adjustments this audit period for improper postings. 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 opinions 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.

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We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-004 and 2007-005.

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. However, of the significant deficiencies described above, we believe findings number 2007-004 and 2007-005 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated August 5, 2008.

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 item 2007-001 through 2007-004.

We also noted certain noncompliance or other matters not requiring inclusion in the report that we reported to the Township's management in a separate letter dated August 5, 2008.

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



Mary Taylor, CPA
Auditor of State

August 5, 2008

**NEWTON TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Finding for Recovery / Noncompliance Citation

During 2006, Township employee, Anson Leslie, resigned his employment with the Township. Mr. Leslie was overpaid for 20 hours worked from a prior pay period for which he had previously been compensated. As a result, his final severance payment demonstrates an overpayment of \$220.00.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Anson Leslie in the amount of two hundred twenty dollars (\$220.00), in favor of the Gasoline Tax Fund of Newton Township.

Additionally, 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 the expenditure. Seward v. National Surety Corp.(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. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Therefore, because Jamie Wooldridge, Township Fiscal Officer; Anthony Brewster, Township Trustee; John Leslie, Township Trustee; and William Robbins, Township Trustee; approved and signed the warrant resulting in the improper payment, the following are jointly and severally liable for the entire amount of \$220.00: Jamie Wooldridge, Township Fiscal Officer; Anthony Brewster, Township Trustee; John Leslie, Township Trustee; William Robbins, Township Trustee; the Ohio Township Association Risk Management Authority, the bonding company for the Township Trustees; and the Travelers Casualty and Surety Company of America, the bonding company for the Township Fiscal Officer. This recovery is in favor of the Gasoline Tax Fund of Newton Township.

The Township Fiscal Officer and Township Trustees noted above for approving and signing the warrants resulting in the improper payments shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Anson Leslie.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) 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.

**NEWTON TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-002 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

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" Certificate – 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 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 ordinance or resolution.

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

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

Of the expenditures tested, 40% in 2006 and 30% in 2007 were not properly certified prior to the commitments being made. The failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 Township Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

**NEWTON TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-002 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

We recommend the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Township Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Township Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2007-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

Newton Township had disbursements that exceeded appropriations at December 2006 and 2007 as follows:

<u>Fund</u>	<u>Line Item</u>	<u>Appropriations.</u>	<u>Disbursements</u>	<u>Amount Exceeded</u>
December 31, 2006:				
General Fund	Salaries-Clerk	\$9,646	\$11,463	\$1,817
General Fund	Other Expenses	6,300	7,284	984
Motor Vehicle License Tax	Repairs	500	1,000	500
Gasoline Tax	Salaries-Trustees	14,976	19,029	4,053
Gasoline Tax	Supplies	7,000	8,860	1,860
Gasoline Tax	Interest Payments	0	4,401	4,401
December 31, 2007:				
General Fund	OPERS	2,002	2,662	660
General Fund	Medicare	210	279	69
Gasoline Tax	Other Salaries	800	26,638	25,838
Gasoline Tax	Other Expenses	5,000	25,401	20,401
Gasoline Tax	Principal Payments	23,000	95,028	72,028
Gasoline Tax	Interest Payments	0	3,762	3,762
Cemetery	Salaries	0	2,857	2,857

Allowing expenditures to exceed appropriations could result in negative fund balances and the use of Township resources required for other services.

**NEWTON TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-003 (Continued)

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

We recommend that the Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. Unless, the Fiscal Officer requests the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2007-004

Finding for Adjustment / Noncompliance Citation / Material Weakness

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036. This section requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds. The requirements of Ohio Rev. Code Section 505.24(C) were noted in the Newton Township Management Letter for the audit conducted for years ending December 31, 2005 and 2004.

For 2007 and 2006, the salaries of the Township Trustees were paid from the General Fund, Gasoline Tax Fund, Road and Bridge Fund and Cemetery Fund. The Township Trustees did not keep records documenting their time spent on Township business and the type of services performed on these funds. Trustee's salaries are to be paid from the General Fund unless administrative procedures are established to document the proportionate amount of Trustees' salaries chargeable to the other Township funds. .

As a result of the foregoing facts, a Finding For Adjustment is hereby issued against the Township's General Fund in the amount of: \$24,926 in favor of the Gasoline Tax Fund; \$14 in favor of the Road and Bridge Fund; and \$2,858 in favor of the Cemetery Fund, for a total of \$27,798.

The Township Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements.

We recommend the Township adopt formal administrative procedures regarding documenting the time spent by Township Trustee's on various duties. Once these administrative procedures are established trustee salaries and related benefits should be charged to the applicable funds in accordance with the timesheets or other similar method of record keeping.

**NEWTON TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-005

Material Weakness

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the following errors were noted in the financial statements for that required audit adjustment or reclassification:

- In 2007, General Fund intergovernmental receipts were improperly classified as taxes (\$5,570).
- In 2006, General Fund intergovernmental receipts were improperly classified as taxes (\$1,151) and Miscellaneous Revenue (\$2,095).
- In 2007, the payoff (Redemption of Principal of \$73,004 and Interest and Other Fiscal Charges of \$3,762) and subsequent renewal of debt (Sale of Notes of \$76,765) was not posted.
- In 2006, the payoff (Redemption of Principal of \$90,628 and Interest and Other Fiscal Charges of \$4,401) and subsequent renewal of debt (Sale of Notes of \$95,029) was not posted.
- In 2006, Fiscal Officer salary was improperly allocated to the Gasoline Fund (\$1015) instead of the General Fund.
- In 2007, homestead and rollback receipts were posted entirely to the General Fund (\$2,117) rather than allocated to the Road and Bridge Fund (\$258), Cemetery Fund (\$269), and Fire Fund (\$1,590).
- In 2006, an estate tax settlement was allocated to the Road and Bridge Fund (\$217), Cemetery Fund (\$182), and Fire Fund (\$1,216), rather than posted entirely to the General Fund (\$1,615).
- In 2007, expenditures were improperly posted to General Government (\$56,485) rather than Public Works in the Motor Vehicle License Tax Fund (\$14), Gasoline Tax Fund (\$54,165), and Road and Bridge Fund (\$294), rather than Public Safety in the Fire Fund (\$1,012), and rather than Health in the Cemetery Fund (\$1,000). Additionally, expenditures were improperly posted to Public Works (\$1,826) rather than Health in the Cemetery Fund (\$1,826).
- In 2006, expenditures were improperly posted to General Government (\$57,088) rather than Public Works in the Motor Vehicle License Tax Fund (\$1,647), Gasoline Tax Fund (\$47,361), and Road and Bridge Fund (\$1,907), rather than Public Safety in the Fire Fund (\$1,392), and rather than Health in the Cemetery Fund (\$4,781). Additionally, expenditures were improperly posted to Public Works (\$156) rather than Health in the Cemetery Fund (\$156).

All of the above noted adjustments have been posted to the financial statements and to the Township's UAN accounting system.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend that the Township Fiscal Officer review the Township Manual for guidance on the correct line item to post various receipts and expenditures of the Township.

Officials' Response: We did not receive a response from Officials to the Findings reported above.

**NEWTON TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code Section 117.26-finding for recovery regarding sick leave balances.	Yes	Corrected
2005-002	Ohio Rev. Code Section 505.50-finding for recovery regarding medical reimbursement.	Yes	Corrected
2005-003	Ohio Rev. Code Section 5705.39-appropriations exceed estimated resources	Yes	Corrected
2005-004	Ohio Rev. Code Section 5705.41(B)-disbursements exceed appropriations	No	Not Corrected-Reissued as Finding Number 2007-003.
2005-005	Ohio Rev. Code Section 5705.41(D)(1)-properly encumbering.	No	Not Corrected-Reissued as Finding Number 2007-002.



Mary Taylor, CPA
Auditor of State

NEWTON TOWNSHIP

PIKE 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 2, 2008**