



Mary Taylor, CPA
Auditor of State

**NEWTON TOWNSHIP
MIAMI COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Independent Accountants' Report..... | 1 |
| Management's Discussion and Analysis For the Year Ended December 31, 2007..... | 3 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Assets – Cash Basis – December 31, 2007..... | 9 |
| Statement of Activities – Cash Basis – For the Year Ended December 31, 2007..... | 10 |
| Governmental Financial Statements: | |
| Statement of Cash Basis Assets and Fund Balances – Governmental Funds – December 31, 2007..... | 11 |
| Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds – For the Year Ended December 31, 2007..... | 12 |
| Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis - General Fund For the Year Ended December 31, 2007..... | 13 |
| Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Gas Tax Fund For the Year Ended December 31, 2007..... | 14 |
| Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Road and Bridge Fund For the Year Ended December 31, 2007..... | 15 |
| Notes to the Financial Statements - December 31, 2007..... | 17 |
| Management's Discussion and Analysis – For the Year Ended December 31, 2006..... | 27 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Assets – Cash Basis – December 31, 2006..... | 33 |
| Statement of Activities – Cash Basis – For the Year Ended December 31, 2006..... | 34 |

**NEWTON TOWNSHIP
MIAMI COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Governmental Financial Statements: | |
| Statement of Cash Basis Assets and Fund Balances – Governmental Funds – December 31, 2006..... | 35 |
| Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds – For the Year Ended December 31, 2006..... | 36 |
| Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2006..... | 37 |
| Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Gas Tax Fund For the Year Ended December 31, 2006..... | 38 |
| Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Road and Bridge Fund For the Year Ended December 31, 2007..... | 39 |
| Notes to the Financial Statements – December 31, 2006 | 41 |
| Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 51 |
| Schedule of Findings..... | 53 |
| Schedule of Prior Audit Findings..... | 58 |



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Newton Township
Miami County
210 Walnut Street
P.O. Box 407
Pleasant Hill, Ohio 45359 0407

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Township, Miami County, (the Township), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Township, Miami County, as of December 31, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gas Tax, and Road and Bridge Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

November 18, 2008

**NEWTON TOWNSHIP
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

This discussion and analysis of Newton Township's (the "Township") financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2007, within the limitations of the Township's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2007 are as follows:

- Net assets of governmental activities increased \$110,571, or 14.2 percent, a significant change from the prior year. All funds had increases in cash and cash equivalents, which were as follows: General Fund - \$57,936, or 11.9%; Motor Vehicle License Tax Fund - \$14,089, or 129.4%; Gasoline Tax Fund - \$12,691, or 7.5%; and Road and Bridge Fund - \$25,855, or 23.6%.
- The Township's receipts are primarily property taxes and intergovernmental. These receipts represent \$279,354, or 85.4 percent, of the total cash received for governmental activities during the year. Property taxes for 2007 changed very little compared to 2006. Intergovernmental revenue increased by \$29,552 due to an increase in estate tax settlements during 2007.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**NEWTON TOWNSHIP
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2007, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major revenue sources such as property taxes.

All activities in the statement of net assets and the statement of activities are governmental activities. All of the Township's basic services are reported here. State grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides.

Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax Fund and Road and Bridge Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**NEWTON TOWNSHIP
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2007 compared to 2006 on a cash basis:

**(Table 1)
Net Assets**

| | Governmental Activities | |
|--|--------------------------------|-------------------------|
| | 2006 | 2007 |
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$776,361 | \$886,932 |
| Total Assets | <u>776,361</u> | <u>886,932</u> |
| Net Assets | | |
| Restricted for: | | |
| Other Purposes | 288,961 | 341,596 |
| Unrestricted | <u>487,400</u> | <u>545,336</u> |
| Total Net Assets | <u><u>\$776,361</u></u> | <u><u>\$886,932</u></u> |

As mentioned previously, net assets of governmental activities increased \$110,571 or 14.2 percent during 2007. The primary reasons contributing to the increase in cash balance are as follows:

- No major capital asset purchases.
- Road maintenance was back to normal and there were no major asphalt programs or road improvements.

Table 2 reflects the changes in net assets in 2007 compared to 2006.

**(Table 2)
Changes in Net Assets**

| | Governmental Activities | |
|---|--------------------------------|-----------------------|
| | 2006 | 2007 |
| Receipts: | | |
| Program Receipts: | | |
| Operating Grants and Contributions | \$ 99,696 | \$102,267 |
| Total Program Receipts | <u>99,696</u> | <u>102,267</u> |
| General Receipts: | | |
| Property and Other Local Taxes | 74,917 | 75,731 |
| Grants and Entitlements Not Restricted to Specific Programs | 74,375 | 101,357 |
| Interest | 44,070 | 42,532 |
| Sale of Fixed Assets | 10,000 | |
| Miscellaneous | 4,979 | 5,255 |
| Total General Receipts | <u>208,341</u> | <u>224,875</u> |
| Total Receipts | <u><u>308,037</u></u> | <u><u>327,142</u></u> |

(Continued)

**NEWTON TOWNSHIP
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

**(Table 2)
Changes in Net Assets
(Continued)**

| | Governmental Activities | |
|------------------------------|------------------------------------|--------------------|
| | 2006 | 2007 |
| Disbursements: | | |
| General Government | 79,826 | 82,794 |
| Public Works | 333,721 | 114,813 |
| Public Health Services | 18,780 | 16,856 |
| Conservation-Recreation | 3,268 | 2,108 |
| Capital Outlay | 49,021 | |
| Total Disbursements | <u>484,616</u> | <u>216,571</u> |
| (Decrease) in Net Assets | <u>(176,579)</u> | <u>110,571</u> |
| Net Assets, January 1 | <u>952,940</u> | <u>776,361</u> |
| Net Assets, December 31 | <u>\$776,361</u> | <u>\$886,932</u> |

Program receipts represent only 31.3 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 68.7 percent of the Township's total receipts, and of this amount, 33.7 percent are local taxes. State grants and entitlements make up 45.1 percent of the Township's general receipts. Interest on investments makes up an additional 18.9 percent of the Township's total general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Trustees and Fiscal Officer, as well as building and cemetery upkeep and some of the road maintenance expenses.

Public Works includes the remaining road maintenance expenses. Public Health Services is mainly the County health department. Conservation-Recreation are mainly the cost of summer recreation programs.

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Township. The next column identifies the cost of providing these services. The major program disbursements for governmental activities are for transportation (Public Works), which account for 53 percent of all governmental disbursements. General Government also represents a significant cost, about 38.2 percent. The next column of the Statement entitled Program Receipts identifies grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service that ends up being paid from money provided by unrestricted revenues, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**NEWTON TOWNSHIP
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

(Table 3)
Governmental Activities

| | Total Cost Of Services 2006 | Net Cost Of Services 2006 | Total Cost Of Services 2007 | Net Cost Of Services 2007 |
|-------------------------|--|--|--|--|
| General Government | \$ 79,826 | \$ 79,826 | \$ 82,794 | \$ 82,794 |
| Public Works | 333,721 | 234,025 | 114,813 | 12,546 |
| Public Health Services | 18,780 | 18,780 | 16,856 | 16,856 |
| Conservation-Recreation | 3,268 | 3,268 | 2,108 | 2,108 |
| Capital Outlay | 49,021 | 49,021 | | |
| Total Expenses | <u>\$484,616</u> | <u>\$384,920</u> | <u>\$216,571</u> | <u>\$114,304</u> |

The dependence upon property tax receipts and unrestricted grants and entitlements is apparent as over 81 percent of governmental activities are supported through these general receipts.

The Government's Funds

Total governmental funds had receipts of \$327,142 and disbursements of \$216,571. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$57,936 as a result of an unanticipated increase in Estate Tax receipts.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Final budgeted receipts were the same as original budgeted receipts due primarily to the lack of growth in state funding. The difference between final budgeted receipts and actual receipts was \$39,995 with most of the increase due to increased estate tax distributions. Final disbursements were budgeted at \$591,900, while actual disbursements and encumbrances were \$101,759. The Township kept spending to less than budgeted amounts as demonstrated by the reported variances.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure, other than an annual inventory valuation of assets.

Debt

At December 31, 2007, the Township had no outstanding debt.

Current Issues

The challenge for the Township is to provide quality services to citizens while staying within the restrictions imposed by limited, and in some cases, shrinking funding. We rely heavily on the property tax income and state funding that is not expected to increase for the foreseeable future. The Township is currently involved with the development of a Township Park to be used by citizens and groups of the Township.

**NEWTON TOWNSHIP
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Tony Fessler, Fiscal Officer, Newton Township, P.O. Box 407, Pleasant Hill, Ohio 45359-0407.

NEWTON TOWNSHIP
MIAMI COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$886,932</u> |
| Total Assets | <u><u>886,932</u></u> |
| | |
| Net Assets | |
| Restricted for: | |
| Other Purposes | 341,596 |
| Unrestricted | <u>545,336</u> |
| Total Net Assets | <u><u>\$886,932</u></u> |

See accompanying notes to the basic financial statements.

**NEWTON TOWNSHIP
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

| | | <u>Program Cash Receipts</u> | <u>Net (Disbursements) Receipts and Changes in Net Assets</u> |
|---|-------------------------------|---|---|
| | <u>Cash Disbursements</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> |
| Governmental Activities | | | |
| General Government | \$82,795 | | (\$82,795) |
| Public Works | 114,812 | \$102,267 | (12,545) |
| Health | 16,856 | | (16,856) |
| Conservation-Recreation | 2,108 | | (2,108) |
| | <hr/> | <hr/> | <hr/> |
| Total Governmental Activities | <u>\$216,571</u> | <u>\$102,267</u> | <u>(114,304)</u> |
| | | | |
| General Receipts | | | |
| Property Taxes and Other Local Taxes | | | 75,731 |
| Grants and Entitlements not Restricted to Specific Programs | | | 101,357 |
| Earnings on Investments | | | 42,532 |
| Miscellaneous | | | 5,255 |
| | | | <hr/> |
| Total General Receipts | | | <u>224,875</u> |
| | | | |
| Change in Net Assets | | | 110,571 |
| | | | |
| Net Assets Beginning of Year | | | <hr/> 776,361 |
| | | | |
| Net Assets End of Year | | | <hr/> <u>\$886,932</u> |

See accompanying notes to the basic financial statements.

**NEWTON TOWNSHIP
MIAMI COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

| | <u>General Fund</u> | <u>Gasoline Tax Fund</u> | <u>Road and Bridge Fund</u> | <u>Other Governmental Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|------------------------------|---------------------------------|--|---|
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$545,336 | \$181,024 | \$135,599 | \$24,973 | \$886,932 |
| Total Assets | <u>545,336</u> | <u>181,024</u> | <u>135,599</u> | <u>24,973</u> | <u>886,932</u> |
| Fund Balances | | | | | |
| Unreserved: | | | | | |
| Undesignated (Deficit), Reported in: | | | | | |
| General Fund | 545,336 | | | | 545,336 |
| Special Revenue Funds | | 181,024 | 135,599 | 24,973 | 341,596 |
| Total Fund Balances | <u>\$545,336</u> | <u>\$181,024</u> | <u>\$135,599</u> | <u>\$24,973</u> | <u>\$886,932</u> |

See accompanying notes to the basic financial statements.

**NEWTON TOWNSHIP
MIAMI COUNTY**

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

| | <u>General Fund</u> | <u>Gasoline Tax Fund</u> | <u>Road and Bridge Fund</u> | <u>Other Governmental Fund</u> | <u>Total</u> |
|---------------------------------|-------------------------|------------------------------|---------------------------------|--|-------------------------|
| Receipts | | | | | |
| Property and Other Local Taxes | \$27,201 | | \$48,530 | | \$75,731 |
| Licenses, Permits and Fees | 3,884 | | | | 3,884 |
| Intergovernmental | 95,247 | \$88,980 | 6,109 | \$13,287 | 203,623 |
| Earnings on Investments | 32,658 | 9,072 | | 802 | 42,532 |
| Miscellaneous | 705 | 321 | 346 | | 1,372 |
| Total Receipts | <u>159,695</u> | <u>98,373</u> | <u>54,985</u> | <u>14,089</u> | <u>327,142</u> |
| Disbursements | | | | | |
| General Government | 82,795 | | | | 82,795 |
| Public Works | | 85,682 | 29,130 | | 114,812 |
| Health | 16,856 | | | | 16,856 |
| Conservation/Recreation | 2,108 | | | | 2,108 |
| Total Disbursements | <u>101,759</u> | <u>85,682</u> | <u>29,130</u> | | <u>216,571</u> |
| Net Change in Fund Balances | 57,936 | 12,691 | 25,855 | 14,089 | 110,571 |
| Fund Balances Beginning of Year | <u>487,400</u> | <u>168,333</u> | <u>109,744</u> | <u>10,884</u> | <u>776,361</u> |
| Fund Balances End of Year | <u><u>\$545,336</u></u> | <u><u>\$181,024</u></u> | <u><u>\$135,599</u></u> | <u><u>\$24,973</u></u> | <u><u>\$886,932</u></u> |

See accompanying notes to the basic financial statements.

**NEWTON TOWNSHIP
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

| | <u>Budgeted Amounts</u> | | | (Optional) Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Receipts | | | | |
| Property and Other Local Taxes | \$26,400 | \$26,400 | \$27,201 | \$801 |
| Licenses, Permits and Fees | 2,000 | 2,000 | 3,884 | 1,884 |
| Intergovernmental | 65,020 | 65,020 | 95,247 | 30,227 |
| Earnings on Investments | 26,000 | 26,000 | 32,658 | 6,658 |
| Miscellaneous | 180 | 180 | 705 | 525 |
| Total receipts | <u>119,600</u> | <u>119,600</u> | <u>159,695</u> | <u>40,095</u> |
| Disbursements | | | | |
| General Government | 117,250 | 117,696 | 82,795 | 34,901 |
| Public Works | 163,000 | 163,000 | | 163,000 |
| Health | 46,650 | 46,204 | 16,856 | 29,348 |
| Conservation-Recreation | 45,000 | 45,000 | 2,108 | 42,892 |
| Capital Outlay | 220,000 | 220,000 | | 220,000 |
| Total Disbursements | <u>591,900</u> | <u>591,900</u> | <u>101,759</u> | <u>490,141</u> |
| Excess of Receipts Over (Under) Disbursements | <u>(472,300)</u> | <u>(472,300)</u> | <u>57,936</u> | <u>530,236</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Fixed Assets | 100 | 100 | | (100) |
| Total Other Financing Sources (Uses) | <u>100</u> | <u>100</u> | | <u>(100)</u> |
| Net Change in Fund Balance | (472,200) | (472,200) | 57,936 | 530,136 |
| Fund Balance Beginning of Year | 487,400 | 487,400 | 487,400 | |
| Prior Year Encumbrances Appropriated | | | | |
| Fund Balance End of Year | <u>\$15,200</u> | <u>\$15,200</u> | <u>\$545,336</u> | <u>\$530,136</u> |

See accompanying notes to the basic financial statements.

**NEWTON TOWNSHIP
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GAS TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

| | <u>Budgeted Amounts</u> | | | (Optional) Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------|------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>(Negative)</u> |
| Receipts | | | | |
| Intergovernmental | \$83,000 | \$83,000 | \$88,980 | \$5,980 |
| Earnings on Investments | 6,700 | 6,700 | 9,072 | 2,372 |
| Miscellaneous | 200 | 200 | 321 | 121 |
| Total receipts | <u>89,900</u> | <u>89,900</u> | <u>98,373</u> | <u>8,473</u> |
| Disbursements | | | | |
| Public Works | 203,500 | 203,500 | 85,682 | 117,818 |
| Capital Outlay | 52,000 | 52,000 | | 52,000 |
| Total Disbursements | <u>255,500</u> | <u>255,500</u> | <u>85,682</u> | <u>169,818</u> |
| Excess of Receipts Over (Under) Disbursements | <u>(165,600)</u> | <u>(165,600)</u> | <u>12,691</u> | <u>178,291</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Fixed Assets | 100 | 100 | | (100) |
| Total Other Financing Sources (Uses) | <u>100</u> | <u>100</u> | | <u>(100)</u> |
| Net Change in Fund Balance | (165,500) | (165,500) | 12,691 | 178,191 |
| Fund Balance Beginning of Year | 168,333 | 168,333 | 168,333 | |
| Prior Year Encumbrances Appropriated | | | | |
| Fund Balance End of Year | <u>\$2,833</u> | <u>\$2,833</u> | <u>\$181,024</u> | <u>\$178,191</u> |

See accompanying notes to the basic financial statements.

**NEWTON TOWNSHIP
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

| | <u>Budgeted Amounts</u> | | | (Optional) Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Receipts | | | | |
| Property and Other Local Taxes | \$46,800 | \$46,800 | \$48,530 | \$1,730.00 |
| Intergovernmental | 6,200 | 6,200 | 6,109 | (91) |
| Miscellaneous | 20 | 20 | 346 | 326 |
| Total receipts | <u>53,020</u> | <u>53,020</u> | <u>54,985</u> | <u>1,965</u> |
| Disbursements | | | | |
| Public Works | 138,000 | 138,000 | 29,130 | 108,870 |
| Capital Outlay | 24,000 | 24,000 | | 24,000 |
| Total Disbursements | <u>162,000</u> | <u>162,000</u> | <u>29,130</u> | <u>132,870</u> |
| Excess of Receipts Over (Under) Disbursements | <u>(108,980)</u> | <u>(108,980)</u> | <u>25,855</u> | <u>134,835</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Fixed Assets | 180 | 180 | | (180) |
| Total Other Financing Sources (Uses) | <u>180</u> | <u>180</u> | | <u>(180)</u> |
| Net Change in Fund Balance | (108,800) | (108,800) | 25,855 | 134,655 |
| Fund Balance Beginning of Year | 109,744 | 109,744 | 109,744 | |
| Prior Year Encumbrances Appropriated | | | | |
| Fund Balance End of Year | <u>\$944</u> | <u>\$944</u> | <u>\$135,599</u> | <u>\$134,655</u> |

See accompanying notes to the basic financial statements.

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**NEWTON TOWNSHIP
MIAMI COUNTY**

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

1. DESCRIPTION OF THE TOWNSHIP AND REPORTING ENTITY

Newton Township, Miami County, (the Township) is a body corporate and politic established in the mid 1800's to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads, and cemetery maintenance.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations for which the Township approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township has no component units.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, the financial statements of the Township have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The most significant of the Township's accounting policies are described below.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide statements, including a statement of net assets, a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include financial activities of the primary government. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. The Township does not have any business type activities. Government activities generally are financed through taxes, intergovernmental receipts and other non-exchange transactions.

**NEWTON TOWNSHIP
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

2. Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. The non-major fund is presented in a single column.

B. Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Township's funds are all classified as governmental.

1. Government Funds

Government funds are financed primarily from taxes, intergovernmental receipts and other non-exchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Township's major governmental funds:

General Fund – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

The other governmental fund of the Township account for resources whose use is restricted to a particular purpose.

**NEWTON TOWNSHIP
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and set limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund, function, object level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Township Trustees.

For control purposes, the Township estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated receipts at the time final appropriations were enacted by the Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriations amounts passed by the Trustees during the year.

E. Cash and Cash Equivalents

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through the Township's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively. During 2007, the Township invested in STAR Ohio.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund, Motor Vehicle License Tax Fund and Gasoline Tax Fund during 2007 amounted to \$32,658, \$802 and \$9,072 respectively. Interest credited to the General Fund included interest assigned from the Road and Bridge Fund.

**NEWTON TOWNSHIP
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent \$341,596 at year end.

G. Inventory and Prepaid Item

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Township's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, and Road and Bridge Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

4. DEPOSITS AND INVESTMENTS

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**NEWTON TOWNSHIP
MIAMI COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds or other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the exception that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**NEWTON TOWNSHIP
MIAMI COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$762,099 of the Township's bank balance of \$891,146 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

5. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Property tax receipts received in 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2007 taxes.

2007 real property taxes are levied after October 1, 2007 on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes which became a lien on December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Township operations for the year ended December 31, 2007, was \$1.80 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2007 property tax receipts were based are as follows:

**NEWTON TOWNSHIP
MIAMI COUNTY**

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

5. PROPERTY TAXES (Continued)

| | |
|----------------------------|--------------|
| Real Property | \$55,331,290 |
| Public Utility Property | 1,625,830 |
| Tangible Personal Property | 280,910 |
| Total Assessed Values | \$57,238,030 |

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

6. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007, the Township contracted with 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 over 580 Ohio governments ("Members").

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

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 15% casualty and the 10% property portion the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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:

| | 2007 | 2006 |
|-----------------|--------------|-------------|
| Assets | \$11,136,455 | \$9,620,148 |
| Liabilities | (4,273,553) | (3,329,620) |
| Members' Equity | \$ 6,862,902 | \$6,290,528 |

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

**NEWTON TOWNSHIP
MIAMI COUNTY**

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

6. RISK MANAGEMENT (Continued)

The Township's coverage is as follows:

| <u>Coverage</u> | <u>Amount</u> | <u>Limit</u> |
|----------------------|---------------|----------------|
| General Liability | \$2,000,000 | Per Occurrence |
| Automobile Liability | \$2,000,000 | Per Occurrence |
| Wrongful Act | \$2,000,000 | Per Occurrence |
| Property | \$392,014 | Total Coverage |

The Township pays the State Workers' Compensation System a premium based on a rate per salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

7. DEFINED BENEFIT PENSION PLAN

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 per cent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2007 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$7,150, \$7,107 and \$6,982 respectively; the full amount has been contributed for 2007, 2006 and 2005.

**NEWTON TOWNSHIP
MIAMI COUNTY**

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

8. POST-EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5.00 percent of covered payroll from January 1 through June 30, 2007 and 6.00 percent of covered payroll from July 1 through December 31, 2007 was the portion that was used to fund health care.

Benefits are advanced-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 5.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 374,979. The number of active contribution participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$2,839. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which will allow additional funds to be allocated to the health care plan.

9. SUBSEQUENT EVENTS

A. Land Purchase

At the end of 2007, the Township was negotiating with Township landowners to acquire approximately 35 acres of land for the development of a park east of Newton Local Schools. The Ohio Department of Natural Resources had awarded the Township with a Nature Works Grant in the amount of \$90,786 requiring a 25% match and a Land and Water Conservation Fund Grant of \$45,750 requiring a 50% match to help with the cost of acquiring the land. On May 5, 2008, the Township purchased 33.474 acres of land for \$251,559. The additional funds that will be necessary in the purchase of the land will be obtained from the General Fund.

**NEWTON TOWNSHIP
MIAMI COUNTY**

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

9. SUBSEQUENT EVENTS (Continued)

B. Truck Purchase

On April 15, 2008, the Township approved a contract for the purchase of a new dump truck for approximately \$60,000. In addition, the purchase of a truck bed for the dump truck will be \$43,279.

**NEWTON TOWNSHIP
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

This discussion and analysis of Newton Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, within the limitations of the Township's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2006 are as follows:

- Net assets of governmental activities decreased \$176,579, or 18.5 percent, a significant change from the prior year. All funds were affected by the Cox Road Project, Road Paving Program and increased operating costs. Decreases in cash and cash equivalents were as follows: Motor Vehicle License Tax Fund - \$20,671, or 65.5%; Road and Bridge Fund - \$74,315, or 40.4%; Gasoline Tax Fund \$30,440, or 15.3%; and General Fund - \$51,153, or 9.5%.
- The Township's receipts are primarily property taxes and intergovernmental revenue. These receipts represent \$248,988, or 80.8 percent of the total cash received for governmental activities during the year. Property taxes and intergovernmental receipts for 2006 changed very little compared to 2005.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**NEWTON TOWNSHIP
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major revenue sources such as property taxes.

All activities in the statement of net assets and the statement of activities are governmental activities. All of the Township's basic services are reported here. State grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides.

Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax Fund and Road and Bridge Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**NEWTON TOWNSHIP
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005 on a cash basis:

**(Table 1)
Net Assets**

| | Governmental Activities | |
|--|--------------------------------|------------------|
| | 2006 | 2005 |
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$776,361 | \$952,940 |
| Total Assets | <u>776,361</u> | <u>952,940</u> |
| Net Assets | | |
| Restricted for: | | |
| Other Purposes | 288,961 | 414,387 |
| Unrestricted | 487,400 | 538,553 |
| Total Net Assets | <u>\$776,361</u> | <u>\$952,940</u> |

As mentioned previously, net assets of governmental activities decreased \$176,579, or 18.5 percent during 2006. The primary reasons contributing to the decrease in cash balance are as follows:

- Cox Road was widened at the west end for a cost of \$93,946;
- Mowry Road asphalt project from State Route 718 to Sugar Grove Road for a cost of \$130,508;
- Purchase of a Massey Ferguson Tractor and Motrim Mower for a cost of \$46,192.

Table 2 reflects the changes in net assets in 2006 compared to 2005.

**(Table 2)
Changes in Net Assets**

| | Governmental Activities | |
|---|--------------------------------|----------------|
| | 2005 | 2006 |
| Receipts: | | |
| Program Receipts: | | |
| Operating Grants and Contributions | \$104,026 | \$ 99,696 |
| Total Program Receipts | <u>104,026</u> | <u>99,696</u> |
| General Receipts: | | |
| Property and Other Local Taxes | 61,336 | 74,917 |
| Grants and Entitlements Not Restricted to Specific Programs | 87,124 | 74,375 |
| Interest | 27,692 | 44,070 |
| Sale of Fixed Assets | | 10,000 |
| Miscellaneous | 4,292 | 4,979 |
| Total General Receipts | <u>180,444</u> | <u>208,341</u> |
| Total Receipts | <u>284,470</u> | <u>308,037</u> |

(Continued)

**NEWTON TOWNSHIP
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

**(Table 2)
Changes in Net Assets
(Continued)**

| | Governmental Activities | |
|---------------------------------------|------------------------------------|-------------------------|
| | 2005 | 2006 |
| Disbursements: | | |
| General Government | 76,993 | 79,826 |
| Public Works | 99,101 | 333,721 |
| Public Health Services | 17,397 | 18,780 |
| Conservation-Recreation | 2,922 | 3,268 |
| Capital Outlay | | 49,021 |
| Total Disbursements | <u>196,413</u> | <u>484,616</u> |
| Increase (Decrease) in Net Assets | <u>88,057</u> | <u>(176,579)</u> |
| Net Assets, January 1 | <u>864,883</u> | <u>952,940</u> |
| Net Assets, December 31 | <u><u>\$952,940</u></u> | <u><u>\$776,361</u></u> |

Program receipts represent only 32.4 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 67.6 percent of the Township's total receipts, and of this amount, 36 percent are local taxes. State grants and entitlements make up 35.7 percent and interest on investments makes up an additional 21.2 percent of the Township's total general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Trustees and Fiscal Officer, as well as building and cemetery upkeep and some of the road maintenance expenses.

Public Works includes the remaining road maintenance expenses. Public Health Services is mainly the County health department. Conservation-Recreation are mainly the cost of summer recreation programs.

Township Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation (Public Works), which accounts for 68.9 percent of all governmental disbursements. General Government also represents a significant cost, about 16.5 percent. The next column of the Statement entitled Program Receipts identifies grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service that ends up being paid from money provided by unrestricted revenues, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**NEWTON TOWNSHIP
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

**(Table 3)
Governmental Activities**

| | Total Cost Of Services 2005 | Net Cost Of Services 2005 | Total Cost Of Services 2006 | Net Cost Of Services 2006 |
|-------------------------|--|--|--|--|
| General Government | \$ 76,993 | \$76,993 | \$79,826 | \$ 79,826 |
| Public Works | 99,101 | 6,288 | 333,721 | 234,025 |
| Public Health Services | 17,397 | 6,184 | 18,780 | 18,780 |
| Conservation-Recreation | 2,922 | 2,922 | 3,268 | 3,268 |
| Capital Outlay | | | 49,021 | 49,021 |
| Total Expenses | <u>\$196,413</u> | <u>\$92,387</u> | <u>\$484,616</u> | <u>\$384,920</u> |

The dependence upon property tax receipts is apparent as over 30 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$308,037 and disbursements of \$484,616. The greatest change within governmental funds occurred within the Road and Bridge Fund. The fund balance of the Road and Bridge Fund decreased \$74,315 as a result of the Cox Road Widening Project, Mowry Road Asphalt Project and the new Tractor and Mower.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Final budgeted receipts were the same as original budgeted receipts due primarily to the lack of growth in state funding. The difference between final budgeted receipts and actual receipts was \$27,045 with most of the increase due to increased earnings on investments. Final disbursements were budgeted at \$625,000, while actual disbursements and encumbrances were \$186,698. The Township kept spending to less than budgeted amounts as demonstrated by the reported variances.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure, other than an annual inventory valuation of assets.

Debt

At December 31, 2006, the Township had no outstanding debt.

Current Issues

The challenge for the Township is to provide quality services to citizens while staying within the restrictions imposed by limited, and in some cases, shrinking funding. We rely heavily on the property tax income and state funding that is not expected to increase for the foreseeable future. The Township is currently involved with the development of a Township Park to be used by citizens and groups of the Township.

**NEWTON TOWNSHIP
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Tony Fessler, Fiscal Officer, Newton Township, P.O. Box 407, Pleasant Hill, Ohio 45359-0407.

NEWTON TOWNSHIP
MIAMI COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$776,361 |
| Total Assets | <u>776,361</u> |
| | |
| Net Assets | |
| Restricted for: | |
| Other Purposes | 288,961 |
| Unrestricted | 487,400 |
| Total Net Assets | <u>\$776,361</u> |

See accompanying notes to the basic financial statements.

**NEWTON TOWNSHIP
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | <u>Program Cash Receipts</u> | | <u>Net (Disbursements) Receipts and Changes in Net Assets</u> |
|---|-------------------------------|---|---|
| | <u>Cash Disbursements</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> |
| Governmental Activities | | | |
| General Government | \$79,826 | | (\$79,826) |
| Public Works | 333,721 | \$99,696 | (234,025) |
| Health | 18,780 | | (18,780) |
| Conservation-Recreation | 3,268 | | (3,268) |
| Capital Outlay | 49,021 | | (49,021) |
| Total Governmental Activities | <u>\$484,616</u> | <u>\$99,696</u> | <u>(384,920)</u> |
| General Receipts | | | |
| Property Taxes and Other Local Taxes | | | 74,917 |
| Grants and Entitlements not Restricted to Specific Programs | | | 74,375 |
| Earnings on Investments | | | 44,070 |
| Sale of Fixed Assets | | | 10,000 |
| Miscellaneous | | | 4,979 |
| Total General Receipts | | | <u>208,341</u> |
| Change in Net Assets | | | (176,579) |
| Net Assets Beginning of Year | | | <u>952,940</u> |
| Net Assets End of Year | | | <u>\$776,361</u> |

See accompanying notes to the basic financial statements.

**NEWTON TOWNSHIP
MIAMI COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

| | <u>General Fund</u> | <u>Gasoline Tax Fund</u> | <u>Road and Bridge Fund</u> | <u>Other Governmental Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|------------------------------|---------------------------------|--|---|
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$487,400 | \$168,333 | \$109,744 | \$10,884 | \$776,361 |
| Total Assets | <u>487,400</u> | <u>168,333</u> | <u>109,744</u> | <u>10,884</u> | <u>776,361</u> |
| Fund Balances | | | | | |
| Unreserved: | | | | | |
| Undesignated (Deficit), Reported in: | | | | | |
| General Fund | 487,400 | | | | 487,400 |
| Special Revenue Funds | | 168,333 | 109,744 | 10,884 | 288,961 |
| Total Fund Balances | <u>\$487,400</u> | <u>\$168,333</u> | <u>\$109,744</u> | <u>\$10,884</u> | <u>\$776,361</u> |

See accompanying notes to the basic financial statements.

**NEWTON TOWNSHIP
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | <u>General Fund</u> | <u>Gasoline Tax Fund</u> | <u>Road and Bridge Fund</u> | <u>Other Governmental Fund</u> | <u>Total</u> |
|---|-------------------------|------------------------------|---------------------------------|--|------------------|
| Receipts | | | | | |
| Property and Other Local Taxes | \$26,849 | | \$48,068 | | \$74,917 |
| Licenses, Permits and Fees | 3,977 | | | | 3,977 |
| Intergovernmental | 68,343 | \$86,202 | 6,032 | \$13,494 | 174,071 |
| Earnings on Investments | 33,784 | 9,291 | | 995 | 44,070 |
| Miscellaneous | 477 | 484 | 16 | 25 | 1,002 |
| Total Receipts | <u>133,430</u> | <u>95,977</u> | <u>54,116</u> | <u>14,514</u> | <u>298,037</u> |
| Disbursements | | | | | |
| General Government | 79,826 | | | | 79,826 |
| Public Works | 72,353 | 113,732 | 115,136 | 32,500 | 333,721 |
| Health | 18,780 | | | | 18,780 |
| Conservation/Recreation | 3,268 | | | | 3,268 |
| Capital Outlay | 12,471 | 16,250 | 16,860 | 3,440 | 49,021 |
| Total Disbursements | <u>186,698</u> | <u>129,982</u> | <u>131,996</u> | <u>35,940</u> | <u>484,616</u> |
| Excess of Receipts Over (Under) Disbursements | (53,268) | (34,005) | (77,880) | (21,426) | (186,579) |
| Other Financing Sources (Uses) | | | | | |
| Sale of Fixed Assets | 2,115 | 3,565 | 3,565 | 755 | 10,000 |
| Total Other Financing Sources (Uses) | <u>2,115</u> | <u>3,565</u> | <u>3,565</u> | <u>755</u> | <u>10,000</u> |
| Net Change in Fund Balance | (51,153) | (30,440) | (74,315) | (20,671) | (176,579) |
| Fund Balances Beginning of Year | <u>538,553</u> | <u>198,773</u> | <u>184,059</u> | <u>31,555</u> | <u>952,940</u> |
| Fund Balances End of Year | <u>\$487,400</u> | <u>\$168,333</u> | <u>\$109,744</u> | <u>\$10,884</u> | <u>\$776,361</u> |

See accompanying notes to the basic financial statements.

**NEWTON TOWNSHIP
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | <u>Budgeted Amounts</u> | | | (Optional) Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>(Negative)</u> |
| Receipts | | | | |
| Property and Other Local Taxes | \$26,000 | \$26,000 | \$26,849 | \$849 |
| Licenses, Permits and Fees | 1,000 | 1,000 | 3,977 | 2,977 |
| Intergovernmental | 63,850 | 63,850 | 68,343 | 4,493 |
| Earnings on Investments | 16,400 | 16,400 | 33,784 | 17,384 |
| Miscellaneous | 250 | 250 | 477 | 227 |
| Total receipts | <u>107,500</u> | <u>107,500</u> | <u>133,430</u> | <u>25,930</u> |
| Disbursements | | | | |
| General Government | 126,800 | 126,800 | 79,826 | 46,974 |
| Public Works | 193,750 | 193,750 | 72,353 | 121,397 |
| Health | 55,450 | 55,450 | 18,780 | 36,670 |
| Conservation-Recreation | 29,000 | 29,000 | 3,268 | 25,732 |
| Capital Outlay | 220,000 | 220,000 | 12,471 | 207,529 |
| Total Disbursements | <u>625,000</u> | <u>625,000</u> | <u>186,698</u> | <u>438,302</u> |
| Excess of Receipts Over (Under) Disbursements | <u>(517,500)</u> | <u>(517,500)</u> | <u>(53,268)</u> | <u>464,232</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Fixed Assets | 1,000 | 1,000 | 2,115 | 1,115 |
| Total Other Financing Sources (Uses) | <u>1,000</u> | <u>1,000</u> | <u>2,115</u> | <u>1,115</u> |
| Net Change in Fund Balance | (516,500) | (516,500) | (51,153) | 465,347 |
| Fund Balance Beginning of Year | 538,553 | 538,553 | 538,553 | |
| Prior Year Encumbrances Appropriated | | | | |
| Fund Balance End of Year | <u>\$22,053</u> | <u>\$22,053</u> | <u>\$487,400</u> | <u>\$465,347</u> |

See accompanying notes to the basic financial statements.

**NEWTON TOWNSHIP
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
GAS TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | <u>Budgeted Amounts</u> | | | (Optional) Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Receipts | | | | |
| Intergovernmental | \$71,900 | \$71,900 | \$86,202 | \$14,302 |
| Earnings on Investments | 4,000 | 4,000 | 9,291 | 5,291 |
| Miscellaneous | 100 | 100 | 484 | 384 |
| Total receipts | <u>76,000</u> | <u>76,000</u> | <u>95,977</u> | <u>19,977</u> |
| Disbursements | | | | |
| Public Works | 218,000 | 218,000 | 113,732 | 104,268 |
| Capital Outlay | 52,000 | 52,000 | 16,250 | 35,750 |
| Total Disbursements | <u>270,000</u> | <u>270,000</u> | <u>129,982</u> | <u>140,018</u> |
| Excess of Receipts Over (Under) Disbursements | <u>(194,000)</u> | <u>(194,000)</u> | <u>(34,005)</u> | <u>159,995</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Fixed Assets | 4,000 | 4,000 | 3,565 | (435) |
| Total Other Financing Sources (Uses) | <u>4,000</u> | <u>4,000</u> | <u>3,565</u> | <u>(435)</u> |
| Net Change in Fund Balance | (190,000) | (190,000) | (30,440) | 159,560 |
| Fund Balance Beginning of Year | 198,773 | 198,773 | 198,773 | |
| Prior Year Encumbrances Appropriated | | | | |
| Fund Balance End of Year | <u>\$8,773</u> | <u>\$8,773</u> | <u>\$168,333</u> | <u>\$159,560</u> |

See accompanying notes to the basic financial statements.

**NEWTON TOWNSHIP
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | (Optional) Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------|------------------|--|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| Receipts | | | | |
| Property and Other Local Taxes | \$46,800 | \$46,800 | \$48,068 | \$1,268 |
| Intergovernmental | 5,900 | 5,900 | 6,032 | 132 |
| Miscellaneous | 10 | 10 | 16 | 6 |
| Total receipts | <u>52,710</u> | <u>52,710</u> | <u>54,116</u> | <u>1,406</u> |
| Disbursements | | | | |
| Public Works | 170,000 | 170,500 | 115,136 | 55,364 |
| Capital Outlay | 55,000 | 54,500 | 16,860 | 37,640 |
| Total Disbursements | <u>225,000</u> | <u>225,000</u> | <u>131,996</u> | <u>93,004</u> |
| Excess of Receipts Over (Under) Disbursements | <u>(172,290)</u> | <u>(172,290)</u> | <u>(77,880)</u> | <u>94,410</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Fixed Assets | 90 | 90 | 3,565 | 3,475 |
| Total Other Financing Sources (Uses) | <u>90</u> | <u>90</u> | <u>3,565</u> | <u>3,475</u> |
| Net Change in Fund Balance | (172,200) | (172,200) | (74,315) | 97,885 |
| Fund Balance Beginning of Year | 184,059 | 184,059 | 184,059 | |
| Prior Year Encumbrances Appropriated | | | | |
| Fund Balance End of Year | <u>\$11,859</u> | <u>\$11,859</u> | <u>\$109,744</u> | <u>\$97,885</u> |

See accompanying notes to the basic financial statements.

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**NEWTON TOWNSHIP
MIAMI COUNTY**

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

1. DESCRIPTION OF THE TOWNSHIP AND REPORTING ENTITY

Newton Township, Miami County, (the Township) is a body corporate and politic established in the mid 1800's to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads, and cemetery maintenance.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations for which the Township approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township has no component units.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, the financial statements of the Township have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The most significant of the Township's accounting policies are described below.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide statements, including a statement of net assets, a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include financial activities of the primary government. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. The Township does not have any business type activities. Government activities generally are financed through taxes, intergovernmental receipts and other non-exchange transactions.

**NEWTON TOWNSHIP
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

2. Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. The non-major fund is presented in a single column.

B. Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Township's funds are all classified as governmental.

1. Government Funds

Government funds are financed primarily from taxes, intergovernmental receipts and other non-exchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Township's major governmental funds:

General Fund – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

The other governmental fund is of the Township accounts for resources whose use is restricted to a particular purpose.

**NEWTON TOWNSHIP
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and set limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund, function, object level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Township Trustees.

For control purposes, the Township estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated receipts at the time final appropriations were enacted by the Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriations amounts passed by the Trustees during the year.

E. Cash and Cash Equivalents

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through the Township's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively. During 2006, the Township invested in STAR Ohio.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund, Motor Vehicle License Tax Fund and Gasoline Tax Fund during 2006 amounted to \$33,784, \$995, and \$9,291 respectively. Interest credited to the General Fund included interest assigned from the Road and Bridge Fund.

**NEWTON TOWNSHIP
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent \$288,961 at year end.

G. Inventory and Prepaid Item

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Township's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, and Road and Bridge Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

4. DEPOSITS AND INVESTMENTS

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**NEWTON TOWNSHIP
MIAMI COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds or other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the exception that it will be held to maturity. Investments may only be made through specified dealers and institutions.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$661,447 of the Township's bank balance of \$778,322 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

**NEWTON TOWNSHIP
MIAMI COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

5. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Property tax receipts received in 2006 for real and public utility property taxes represents collections of the 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) is for 2006 taxes.

2006 real property taxes are levied after October 1, 2006 on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes which became a lien on December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

2006 tangible property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Township operations for the year ended December 31, 2006, was \$1.80 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2006 property tax receipts were based are as follows:

| | |
|----------------------------|---------------------|
| Real Property | \$54,231,360 |
| Public Utility Property | 1,725,860 |
| Tangible Personal Property | 355,630 |
| Total Assessed Values | <u>\$56,312,850</u> |

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

**NEWTON TOWNSHIP
MIAMI COUNTY**

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

6. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the Township contracted with 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 over 550 Ohio governments ("Members").

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

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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:

| | 2006 | 2005 |
|-----------------|-------------|-------------|
| Assets | \$9,620,148 | \$8,219,430 |
| Liabilities | (3,329,620) | (2,748,639) |
| Members' Equity | \$6,290,528 | \$5,470,791 |

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

The Township's coverage is as follows:

| Coverage | Amount | Limit |
|----------------------|---------------|----------------|
| General Liability | \$2,000,000 | Per Occurrence |
| Automobile Liability | 2,000,000 | Per Occurrence |
| Wrongful Act | 2,000,000 | Per Occurrence |
| Property | 380,596 | Total Coverage |

The Township pays the State Workers' Compensation System a premium based on a rate per salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

**NEWTON TOWNSHIP
MIAMI COUNTY**

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

7. DEFINED BENEFIT BENSIION PLAN

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 per cent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$7,107, \$6,982 and \$5,889 respectively; the full amount has been contributed for 2006, 2005 and 2004.

8. POST-EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advanced-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 5.00 percent annually for the next eight years and 4.00 percent annually after eight years.

**NEWTON TOWNSHIP
MIAMI COUNTY**

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

8. POST-EMPLOYMENT BENEFITS (Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$2,335. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

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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
Miami County
210 Walnut Street
P.O. Box 407
Pleasant Hill, Ohio 45359 -0407

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Township, Miami County, (the Township) as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated November 18, 2008, wherein we 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.

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 Government's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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.

**Internal Control Over Financial Reporting
(Continued)**

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 internal control deficiencies that might be 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.

We noted certain matters that we reported to the Township's management in a separate letter dated November 18, 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-004.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated November 18, 2008.

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

November 18, 2008

NEWTON TOWNSHIP
MIAMI 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

Non-Compliance - Finding for Recovery

The Board of Trustees approved resolution 2006-06 on December 19, 2006 and resolution 2005-05 on December 20, 2005 stating that the Township would reimburse elected officials and any part-time help that obtains 300 hours of labor per year, for each out of pocket premiums up to \$4,000 that they incur for themselves and their immediate family dependants for insurance policies that provide for hospitalization, surgical care, medical care, hearing aids, prescription drugs, sickness and accidental insurance or a combination of any of the aforementioned types of insurance.

During 2006, employee Joel Via worked a total of 277 hours, yet was paid for the insurance reimbursement on December 5, 2006 with check number 812 in the amount of \$981.76 from the General Fund. During 2007, employee Joel Via worked a total of 240.5 hours, yet was paid for the insurance reimbursement on December 5, 2007 with check number 1040 in the amount of \$1,119.74 from the Road and Bridge Fund. Based on the failure to meet the required 300 hours of labor for 2006 and 2007, the employee was not eligible for these reimbursements.

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 Joel Via, Township part-time employee in the total amount of \$2,101.50 and in favor of the Township's General Fund in the amount of \$981.76 and the Road and Bridge Fund in the amount of \$1,119.74.

The reimbursement checks were drafted and signed by the Township Fiscal Officer Tony Fessler and co-signed by Trustees Gene Laughman and Terry Wackler.

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., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). 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. Atty Gen. No. 80-074.

Accordingly, a Finding for Recovery is hereby issued against Tony Fessler, Township Fiscal Officer, Gene Laughman Township Trustee, Terry Wackler Township Trustee, and their bonding company, Ohio Government Risk Management Plan, jointly and severally, in the total amount of \$2,101.50 and in favor of the Township's General Fund and Road and Bridge Fund in the amounts of \$981.76 and \$1,119.74, respectively. Tony Fessler, Gene Laughman and Terry Wackler shall be secondarily liable for such illegal expenditures to the extent that recovery is not obtained from Joel Via.

The Township should institute procedures to determine that all requirements are met for the reimbursement of out of pocket health insurance premiums prior to reimbursements being made.

FINDING NUMBER 2007-002

Non-Compliance – Finding for Recovery

Ohio Rev. Code Section 505.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if certain conditions are met. **Ohio Rev. Code Section 505.60** states that the board of township trustees of any township may negotiate and contract for the purchase of a policy of long-term care insurance for township officers and employees pursuant to section 124.841 of the Revised Code. **Ohio Rev. Code Section 124.841** states that “Long-term care insurance” has the same meaning as in section 3923.41 of the Revised Code. **Ohio Rev. Code Section 3923.41(A)** states, in part, that “Long-term care insurance” does not include any insurance policy that is offered primarily to provide, among other things, hospital confinement indemnity coverage and disability income protection coverage.

The Township reimbursed the Trustees for out-of-pocket insurance premiums. Trustee Paul Laughman received the benefit of reimbursement for three separate long-term insurance policies during 2006 and 2007. Two of the three policies were deemed unallowable for the following reasons: one policy was for hospital confinement indemnity coverage and another policy was for disability income protection coverage. The 2006 portion of the unallowable reimbursement was in the amount of \$636.84 and the 2007 unallowable reimbursement was in the amount of \$731.52.

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 rendered against Paul Laughman in the total amount of \$1,368.36 and in favor of the Newton Township treasury.

The reimbursement checks were drafted and signed by the Township Fiscal Officer Tony Fessler. The 2006 check was co-signed by Trustees Terry Wackler and Paul Laughman. The 2007 check was co-signed by Trustees Gene Laughman and Terry Wackler.

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., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). 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. Atty Gen. No. 80-074.

Accordingly, a Finding for Recovery is hereby issued against Tony Fessler, Township Fiscal Officer, and Terry Wackler Township Trustee, and their bonding company, Ohio Government Risk Management Plan, jointly and severally, in the total amount of \$1,368.36 in favor of the Township’s General Fund. In addition, Gene Laughman Township Trustee and his bonding company, Ohio Government Risk Management Plan, are also held jointly and severally liable for the 2007 portion, in the amount of \$731.52. Tony Fessler, Terry Wackler, and Gene Laughman shall be secondarily liable for such illegal expenditures to the extent that recovery is not obtained from Paul Laughman.

Officials Response: The Township does not agree with the State’s view of allowable coverages and sought the opinion of the Miami County Prosecutor’s office and will abide by that opinion.

FINDING NUMBER 2007-003

Non-Compliance

Ohio Rev. Code Section 505.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

- A. The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium that they incur for insurance policies described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.
- B. That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee, beyond which the township will not reimburse the officer or employee.
- C. That resolution states the specific benefits listed in division (A) of section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of section 505.60 of the Revised Code.

Attorney General Opinion 2005-038 determined that township officers and employees could be reimbursed for out-of-pocket premium expenses attributable to an officer/employee that are obtained through their or a spouse's employer. However, the reimbursement through a spouse's plan is limited to the "out-of-pocket premium that the officer or employee incurs" because the policies described in 505.60(A) do not include family coverage.

The Township reimbursed Township Fiscal Officer Tony Fessler and Trustees Terry Wackler and Gene Laughman for family coverage for the years 2006 and 2007 which was in excess of their actual out-of-pocket premium expenses attributable to them only. The reimbursements to these officials totaled \$8,462 and \$8,540 for 2006 and 2007, respectively.

Our audits of townships during this audit period have revealed ambiguity in the interpretation of the township reimbursement provisions as demonstrated by various opinions submitted by prosecuting attorneys. In addition, legislation is pending to extend reimbursement for township employees and officials for family coverage. Therefore, we will not issue Findings for Recovery for the overpayment for the remainder of the current audit period.

We recommend the Township revise its health care premium reimbursement policy to limit reimbursement to amounts attributable to township officials and employees only, unless and until the legislature passes Am. H.B. No. 458.

FINDING NUMBER 2007-004

Non-Compliance

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" 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 \$1,000 (\$3,000, effective April 7, 2003) 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 not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period not exceeding three months (three month limitation was eliminated effective September 26, 2003) or running beyond the current 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 one line item appropriation.

In 2007, the Township did not properly certify the availability of funds prior to purchase commitment for \$71,860 or 33% of expenditures and \$6,498 or 1.3% of expenditures during 2006 and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds could result in overspending and negative cash fund balances.

**FINDING NUMBER 2007-004
(Continued)**

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 that the Township certifies that the funds are available prior to the obligation by the Township. 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 prior to when 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.

Officials Response: Officials did not respond to findings 2007-001, 2007-003, and 2007-004.

**NEWTON TOWNSHIP
MIAMI 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> |
|--------------------|--|------------------|--|
| 2004-001, 2005-001 | ORC 5705.41(D), Failure to Properly Encumber | No | Repeated as Finding Number 2007-004 |



Mary Taylor, CPA
Auditor of State

NEWTON TOWNSHIP

MIAMI 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
JANUARY 13, 2009**