



**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998-1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Newton Township
Muskingum County
8845 Bagley Road
Mt. Perry, Ohio 43760

To the Board of Trustees:

We have audited the accompanying financial statements of the Newton Township, Muskingum County, Ohio, (the Township) as of and for the years ended December 31, 1998 and December 31, 1997. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We were unable to obtain evidence supporting the billing services and corresponding receipts for the Ambulance Fund, nor were able to satisfy ourselves as to those financial activities by other auditing procedures. Those financial activities are included in the Special Revenue Fund and represent 16% of total revenue in 1997 and 9% of total revenue in 1998.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence supporting the billing services and corresponding receipts for the Ambulance Fund, the financial statements referred to above present fairly, in all material respects, the deposits and combined fund cash balances of Newton Township, Muskingum County, as of December 31, 1998 and December 31, 1997, and its combined cash receipts and cash disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2000 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Newton Township
Muskingum County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of management, Township Trustees, Clerk and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

March 6, 2000

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**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES-
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Cash Receipts:		
Taxes	\$ 25,386	\$ 125,739
Intergovernmental Receipts	50,918	101,228
Charges for Services	0	38,437
Special Assessments	0	15,122
Interest	19,603	2,942
Miscellaneous	<u>6,861</u>	<u>5,940</u>
Total Cash Receipts	102,768	289,408
Cash Disbursements:		
General Government	84,935	5,543
Public Safety	0	49,139
Public Works	953	154,347
Health	2,251	0
Capital Outlay	5,500	17,679
Bond Principal Payment	0	0
Interest and Fiscal Charges	<u>0</u>	<u>0</u>
Total Cash Disbursements	93,639	226,708
Excess of Cash Receipts Over/ (Under) Cash Disbursements	9,129	62,700
Fund Cash Balances, January 1	<u>118,534</u>	<u>312,295</u>
Fund Cash Balances, December 31	<u>\$ 127,663</u>	<u>\$ 374,995</u>
Reserves for Encumbrances, December 31	<u>\$ 5,630</u>	<u>\$ 36,749</u>

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

<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
\$ 59,035	\$ 210,160
0	152,146
0	38,437
0	15,122
0	22,545
<u>0</u>	<u>12,801</u>
59,035	451,211
0	90,478
0	49,139
0	155,300
0	2,251
0	23,179
55,957	55,957
<u>2,898</u>	<u>2,898</u>
58,855	379,202
180	72,009
<u>0</u>	<u>430,829</u>
<u>\$ 180</u>	<u>\$ 502,838</u>
<u>\$ 0</u>	<u>\$ 42,379</u>

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Cash Receipts:		
Taxes	\$ 27,246	\$ 106,542
Intergovernmental Receipts	49,287	78,830
Charges for Services	0	40,581
Special Assessments	0	15,876
Interest	16,862	4,080
Miscellaneous	<u>21</u>	<u>12,708</u>
Total Cash Receipts	93,416	258,617
Cash Disbursements:		
General Government	68,105	16,394
Public Safety	0	66,054
Public Works	0	169,650
Health	2,231	0
Capital Outlay	0	17,439
Bond Principal	0	0
Interest Expense	<u>0</u>	<u>0</u>
Total Cash Disbursements	70,336	269,537
Excess of Cash Receipts Over/ (Under) Cash Disbursements	23,080	(10,920)
Other Financing Sources/(Uses)		
Operating Transfers-In	0	30,000
Operating Transfers-Out	<u>0</u>	<u>(30,000)</u>
Total Other Financial Sources/(Uses)	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	23,080	(10,920)
Fund Cash Balances, January 1	<u>95,454</u>	<u>323,215</u>
Fund Cash Balances, December 31	<u>\$ 118,534</u>	<u>\$ 312,295</u>
Reserves for Encumbrances, December 31	<u>\$ 4,153</u>	<u>\$ 21,390</u>

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

<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
\$ 62,112	\$ 195,900
0	128,117
0	40,581
0	15,876
0	20,942
<u>0</u>	<u>12,729</u>
62,112	414,145
0	84,499
0	66,054
0	169,650
0	2,231
0	17,439
55,957	55,957
<u>6,155</u>	<u>6,155</u>
62,112	401,985
0	12,160
0	30,000
<u>0</u>	<u>(30,000)</u>
<u>0</u>	<u>0</u>
0	12,160
<u>0</u>	<u>418,669</u>
<u>\$ 0</u>	<u>\$ 430,829</u>
<u>\$ 0</u>	<u>\$ 25,543</u>

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Newton Township, Muskingum County, (the Township) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including maintenance of roads, fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

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

Road and Bridge Fund - This fund received property tax money to maintain Township roads and bridges.

Fire District Fund - This fund received property tax money to provide fire protection through contracts with other governmental entities.

Debt Service Fund

This fund accounts for the accumulation of resources for, and the payment of, general long term debt principal, interest, and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. The Township had the following significant Debt Service Fund:

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

Debt Service Fund (Continued)

General Obligation Fund - This fund is utilized to repay outstanding debt for the equipment.

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

Budgetary expenditures (i.e., disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Township must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus beginning of the year fund cash balances. The County Budget Commission must also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried forward, and need not be reappropriated.

A summary of 1998 and 1997 budgetary activity appears in Note 3

E. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1998</u>	<u>1997</u>
Demand Deposits	\$ <u>502,838</u>	\$ <u>430,829</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation and pooled collateral.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 1998 was as follows:

1998 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 177,290	\$ 102,768	\$ 74,523
Special Revenue	595,574	289,408	306,165
Debt Service	<u>59,035</u>	<u>59,035</u>	<u>0</u>
Total	<u>\$ 831,899</u>	<u>\$ 451,211</u>	<u>\$ 380,688</u>

1998 Budgeted vs. Budget Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 161,050	\$ 99,269	\$ 61,781
Special Revenue	392,099	223,457	128,642
Debt Service	<u>59,035</u>	<u>58,855</u>	<u>180</u>
Total	<u>\$ 612,184</u>	<u>\$ 421,581</u>	<u>\$ 190,603</u>

Budgetary activity for the year ending December 31, 1997 was as follows:

1997 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 166,048	\$ 93,416	\$ 72,633
Special Revenue	572,132	288,617	283,517
Debt Service	<u>62,112</u>	<u>62,112</u>	<u>0</u>
Total	<u>\$ 800,292</u>	<u>\$ 444,145</u>	<u>\$ 356,150</u>

1997 Budgeted vs. Budget Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 161,048	\$ 74,489	\$ 86,559
Special Revenue	533,131	320,927	212,204
Debt Service	<u>62,112</u>	<u>62,112</u>	<u>0</u>
Total	<u>\$ 756,291</u>	<u>\$ 457,528</u>	<u>\$ 298,763</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Township. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

4. PROPERTY TAX (Continued)

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

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

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

5. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Newton Township
Muskingum County
8845 Bagley Road
Mt. Perry, Ohio 43760

To the Board of Trustees:

We have audited the accompanying financial statements of the Newton Township, Muskingum County, Ohio, (the Township) as of and for the years ended December 31, 1998 and December 31, 1997, and have issued our report thereon dated March 6, 2000, wherein we noted we were unable to obtain sufficient evidence supporting the billing services and corresponding receipts for the Ambulance Fund, of Newton Township, Muskingum County, for the years ended December 31, 1998 and December 31, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated November 15, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with assertions of management of the financial statements. Reportable conditions in the accompanying schedule of findings as items 1998-41060-001 and 1998-41060-002.

A material weakness is a condition in which the design or operation of one or more of the internal components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe both of the reportable conditions above to be material weaknesses.

Newton Township
Muskingum County
Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

JIM PETRO
Auditor of State

March 6, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1998-41060-001

Ambulance Log

The Township does not maintain an ambulance log sheet and prenumbered ambulance run forms. This resulted in run sheets not being submitted to the billing service in a timely manner. We recommend ambulance logs be established to document all ambulance runs and ambulance run sheets be prenumbered. The log sheet should include date of the ambulance run, pre-numbered ambulance run sheet number, patient name, address and type of insurance or payment method. Also this log sheet should be approved by the Trustees on a monthly basis.

FINDING NUMBER 1998-41060-002

Ambulance Receipts

The Township receipts for ambulance service billings are received in the form of electronic fund transfers and through the mail. Each month the receipts are copied by the Township and sent to billing services to be posted to the patient account. This could result in information of receipt not being submitted to the billing service in a timely manner. We recommend the billing service establish a lock box on behalf of the Township and that all receipts be collected at the lockbox, deposited in the Township's bank account, and a report of collections be forwarded to the billing services. We also recommend that electronic fund transfers for ambulance service be routed to this lockbox for depositing into the Township's bank account and processing in the same manner as other receipts for ambulance service.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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NEWTON TOWNSHIP

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 21, 2000**