



**NEWTON TOWNSHIP
LICKING COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

NEWTON TOWNSHIP
LICKING COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying financial statements of Newton Township (the Township) as of and for the years ended December 31, 2001 and December 31, 2000. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2001 and December 31, 2000, and its combined cash receipts and 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 19, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under § 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 19, 2002

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**NEWTON TOWNSHIP
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Agency</u>	
Cash Receipts:					
Local Taxes	\$61,688	\$137,312	\$54,586	\$0	\$253,586
Intergovernmental	51,084	89,448	0	0	140,532
Special Assessments	3,945	0	0	0	3,945
Charges for Services	0	4,500	0	0	4,500
Licenses, Permits, and Fees	2,600	15,600	0	0	18,200
Fines, Forfeitures, and Penalties	0	7,780	0	0	7,780
Earnings on Investments	9,616	400	0	0	10,016
Other Receipts	4,302	94,237	0	15,400	113,939
Total Cash Receipts	133,235	349,277	54,586	15,400	552,498
Cash Disbursements:					
Current:					
General Government	88,496	0	0	0	88,496
Public Safety	0	62,434	0	0	62,434
Public Works	7,374	126,915	0	0	134,289
Health	5,719	87,781	0	0	93,500
Debt Service:					
Redemption of Principal	0	0	51,667	0	51,667
Interest and Fiscal Charges	0	0	2,951	0	2,951
Capital Outlay	39,237	55,353	0	0	94,590
Total Cash Disbursements	140,826	332,483	54,618	0	527,927
Total Receipts Over/(Under) Disbursements	(7,591)	16,794	(32)	15,400	24,571
Other Financing Disbursements:					
Other Uses	(3,790)	0	0	0	(3,790)
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(11,381)	16,794	(32)	15,400	20,781
Fund Cash Balances, January 1, 2001	125,132	311,201	1,464	88,309	526,106
Fund Cash Balances, December 31, 2001	\$113,751	\$327,995	\$1,432	\$103,709	\$546,887

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

NEWTON TOWNSHIP
LICKING COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Agency	
Cash Receipts:						
Local Taxes	\$62,235	\$129,609	\$57,521	\$0	\$0	\$249,365
Intergovernmental	62,795	82,516	0	189,109	0	334,420
Special Assessments	3,949	0	0	0	0	3,949
Charges for Services	0	12,750	0	0	0	12,750
Licenses, Permits, and Fees	4,479	13,315	0	0	0	17,794
Fines, Forfeitures, and Penalties	0	10,412	0	0	0	10,412
Earnings on Investments	11,259	600	0	0	0	11,859
Other Receipts	1,297	69,900	0	0	11,775	82,972
Total Cash Receipts	146,014	319,102	57,521	189,109	11,775	723,521
Cash Disbursements:						
Current:						
General Government	86,334	0	0	0	0	86,334
Public Safety	0	67,176	0	0	0	67,176
Public Works	29,429	107,155	0	0	0	136,584
Health	5,631	87,826	0	0	0	93,457
Debt Service:						
Redemption of Principal	0	0	51,667	0	0	51,667
Interest and Fiscal Charges	0	0	5,894	0	0	5,894
Capital Outlay	0	51,891	0	189,109	0	241,000
Total Cash Disbursements	121,394	314,048	57,561	189,109	0	682,112
Total Receipts Over/(Under) Disbursements	24,620	5,054	(40)	0	11,775	41,409
Fund Cash Balances, January 1, 2000	100,512	306,147	1,504	0	76,534	484,697
Fund Cash Balances, December 31, 2000	\$125,132	\$311,201	\$1,464	\$0	\$88,309	\$526,106

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

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Newton Township, Licking County, (the Township) is a body corporate and politic 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 road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services

The Township's management believes these financial statements present 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 paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. 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 receives property tax money to construct, maintain and repair Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain and repair Township roads.

Fire Fund - This fund receives property tax money for the protection of Township persons and property.

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

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Debt Service Fund

The Debt Service Fund is used to accumulate resources for the payment of a commercial loan.

4. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Fund:

Issue II Fund - The Township received a grant from the State of Ohio for road work.

5. Fiduciary Fund (Agency Fund)

This fund is used to account for funds for which the Township is acting in an agency capacity. The Township had the following significant Fiduciary Fund:

Cemetery Prepayment Fund - This fund receives prepayments for opening and closing fees for future burials.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$546,887	\$526,106

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$125,480	\$133,235	\$7,755
Special Revenue	349,260	349,277	17
Debt Service	53,200	54,586	1,386
Total	\$527,940	\$537,098	\$9,158

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$250,611	\$144,616	\$105,995
Special Revenue	660,461	332,483	327,978
Debt Service	54,664	54,618	46
Total	<u>\$965,736</u>	<u>\$531,717</u>	<u>\$434,019</u>

2000 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$124,360	\$146,014	\$21,654
Special Revenue	331,930	319,102	(12,828)
Debt Service	57,500	57,521	21
Capital Projects	0	189,109	189,109
Total	<u>\$513,790</u>	<u>\$711,746</u>	<u>\$197,956</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$223,572	\$121,394	\$102,178
Special Revenue	636,859	314,048	322,811
Debt Service	59,004	57,561	1,443
Capital Projects	0	189,109	(189,109)
Total	<u>\$919,435</u>	<u>\$682,112</u>	<u>\$237,323</u>

Contrary to Ohio law, prior certification of the Township Clerk was not always obtained prior to making purchase commitments.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. 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 payment, the first half is due December 31. The second half payment is due the following June 20.

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

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX (Continued)

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

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

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Case Loader Backhoe Lease	\$11,371	6%
Case Tractor Lease	9,443	6%
Total	\$20,814	

On February 26, 1998, the Township entered into a lease agreement for a case tractor. On April 6, 1999, the Township entered into a lease agreement for a case loader backhoe. Amortization of the above debt, including interest, is scheduled as follows:

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

Year ending December 31:	Backhoe Capital Lease	Tractor Capital Lease
2002	\$12,000	\$10,000

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed 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 uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

8. CONTRACTUAL COMMITMENT

On December 4, 2001, the Board of Trustees approved the purchase of a new Emergency Medical Vehicle at a cost of \$114,698. The Township plans to issue notes to finance the purchase.



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

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

We have audited the accompanying financial statements of Newton Township (the Township) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated March 19, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-40645-001 and 2001-40645-002.

In addition, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 19, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-40645-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that material misstatements in amounts that would be material in relation to the financial statements 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 that the reportable condition described above is not a material weakness. We also noted another matter involving the internal control over financial reporting, which we have reported to management of the Township in a separate letter dated March 19, 2002.

Newton Township
Licking 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 and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

March 19, 2002

NEWTON TOWNSHIP
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000

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

FINDING NUMBER 2001-40645-001

Ohio Revised Code § 5705.41(D), states no orders or contracts involving the expenditure of money is to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirement:

1. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
2. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of the Board, if such expenditure is otherwise valid.

The Clerk may use blanket certificates. For blanket certificates, one blanket certificate may be issued for each line item appropriation and must not exceed \$5,000 or three months. For super blanket certificates, more than one certificate can be outstanding per line item appropriation and they may be issued for any amount and may exceed three months. These blanket certificates should be canceled at the end of each fiscal year.

Forty-four percent of transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. To improve controls over disbursements, we recommend that all Township disbursements receive prior certification of the fiscal officer that the funds are or will be available. When prior certification is not possible, then and now certification should be utilized.

FINDING NUMBER 2001-40645-002

Ohio Revised Code §5705.38, states on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

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

During both years, annual appropriations measures were not passed until March and the Township failed to pass a temporary appropriation measure to cover ordinary expenses. This caused the Township to expend money that was not appropriated.

The Board should either pass a temporary appropriation measure to cover expenditures until an annual appropriation measure is passed, or pass the annual appropriation measure before expending funds.

**NEWTON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDING NUMBER 2001-40645-003

Cemetery Recommendations

The following internal control weaknesses were noted over cemetery receipts:

- a. The Cemetery Sexton did not retain duplicate receipts issued for cemetery collections. In addition, monthly open accounts receivable balances are not maintained for patrons on a payment plan.
- b. The Board of Trustees did not receive a monthly report summarizing cemetery receipts and activity.
- c. Receipts from openings, closings, sale of lots, and other cemetery receipts are deposited with the Township Clerk only once a month.
- d. The Township collects prepayments for cemetery opening and closing fees. These fees are recorded in a Cemetery Prepayment Fund which is classified as an the Agency fund. These payments are not applied to the Cemetery Fund when the opening and closing of the grave is completed.

The above weaknesses can result in an inability to manage and monitor departmental operations in an effective manner.

To strengthen existing operations, we recommend:

- a. The Cemetery Sexton should retain all duplicate receipts issued. Duplicate receipts should be reconciled to deposits made with the Township Clerk.
- b. The Cemetery Sexton should provide a monthly report of collections to the Board of Trustees of all cemetery receipts and services for the month. Review of the report should be indicated in the minutes.
- c. An open accounts receivable report should be compiled and submitted to the Trustees monthly. The Trustees should review and approve the report monthly, paying particular attention to outstanding receivable amounts that are overdue.
- d. The Board of Trustees should adopt a policy requiring the Cemetery Sexton to deposit with the Clerk in accordance with Ohio Revised Code Section 9.38.
- e. The Township Clerk should apply the prepayments to the Cemetery Fund in the Special Revenue Fund Type when the services are performed. Township records reflect approximately \$23,795 should be paid into the Cemetery Fund at the end of 2001. The Township Trustees should immediately transfer these funds to the Cemetery Operating Fund.

Also, when future opening and closing of graves are completed, the payments should be paid to the Cemetery Fund in a timely manner.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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NEWTON TOWNSHIP

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 18, 2002**