



**Auditor of State
Betty Montgomery**

NEWTON TOWNSHIP
PIKE COUNTY

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**Auditor of State
Betty Montgomery**

Newton Township
Pike County
2027 Williams Road
Piketon, Ohio 45661

To the Board of Township Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 16, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Newton Township
Pike County
2027 Williams Road
Piketon, Ohio 45661

To the Board of Township Trustees:

We have audited the accompanying financial statements of Newton Township, Pike County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements.

Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Newton Township, Pike County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2006, 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.



Betty Montgomery
Auditor of State

November 16, 2006

**NEWTON TOWNSHIP
PIKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$15,189	\$35,521	\$	\$50,710
Intergovernmental	22,010	83,453	13,138	118,601
Earnings on Investments	173	256		429
Other Revenue	21	4,441		4,462
	<u>37,393</u>	<u>123,671</u>	<u>13,138</u>	<u>174,202</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	68,883	988		69,871
Public Safety		18,000		18,000
Public Works		70,025		70,025
Health		6,447		6,447
Debt Service:				
Redemption of Principal		129,602		129,602
Interest and Fiscal Charges		5,054		5,054
Capital Outlay			13,138	13,138
	<u>68,883</u>	<u>230,116</u>	<u>13,138</u>	<u>312,137</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(31,490)</u>	<u>(106,445)</u>	<u>0</u>	<u>(137,935)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes	0	112,641		112,641
	<u>0</u>	<u>112,641</u>	<u>0</u>	<u>112,641</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(31,490)</u>	<u>6,196</u>	<u>0</u>	<u>(25,294)</u>
Fund Cash Balances, January 1	<u>28,171</u>	<u>72,066</u>	<u>0</u>	<u>100,237</u>
Fund Cash Balances, December 31	<u>(\$3,319)</u>	<u>\$78,262</u>	<u>\$0</u>	<u>\$74,943</u>

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

**NEWTON TOWNSHIP
PIKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$13,480	\$18,075	\$0	\$31,555
Intergovernmental	29,206	84,338		113,544
Earnings on Investments	609	292		901
Other Revenue	11	163		174
	<u>43,306</u>	<u>102,868</u>	<u>0</u>	<u>146,174</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	60,228	249		60,477
Public Safety		27,247		27,247
Public Works		88,763		88,763
Health		7,226		7,226
Debt Service:				
Redemption of Principal		202,902		202,902
Interest and Fiscal Charges		4,270		4,270
Capital Outlay	11,215	27,457	75,000	113,672
	<u>71,443</u>	<u>358,114</u>	<u>75,000</u>	<u>504,557</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(28,137)</u>	<u>(255,246)</u>	<u>(75,000)</u>	<u>(358,383)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes	11,215	210,972		222,187
	<u>11,215</u>	<u>210,972</u>	<u>0</u>	<u>222,187</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(16,922)	(44,274)	(75,000)	(136,196)
Fund Cash Balances, January 1	<u>45,093</u>	<u>116,340</u>	<u>75,000</u>	<u>236,433</u>
Fund Cash Balances, December 31	<u>\$28,171</u>	<u>\$72,066</u>	<u>\$0</u>	<u>\$100,237</u>

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

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Newton Township, Pike County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Elm Grove Volunteer Fire Department to provide fire services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Funds:

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Capital Project Funds (Continued)

Issue II Fund – The Township received a grant from the State of Ohio to repair a road.

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

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

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

F. Accumulated Leave

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

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. EQUITY IN POOLED CASH

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

	2005	2004
Demand deposits	\$74,943	\$100,237

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,337	\$37,393	(\$3,944)
Special Revenue	213,122	236,312	23,190
Capital Projects	9,699	13,138	3,439
Total	\$264,158	\$286,843	\$22,685

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,300	\$68,883	(\$29,583)
Special Revenue	242,402	230,116	12,286
Capital Projects	0	13,138	(13,138)
Total	\$281,702	\$312,137	(\$30,435)

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,052	\$54,521	\$6,469
Special Revenue	222,266	313,840	91,574
Capital Projects	0	0	0
Total	\$270,318	\$368,361	\$98,043

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$58,650	\$71,443	(\$12,793)
Special Revenue	255,039	358,114	(103,075)
Capital Projects	75,000	75,000	0
Total	\$388,689	\$504,557	(\$115,868)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in several funds for the years ended December 31, 2005 and 2004. Also contrary to Ohio law, during 2005, two funds had appropriations exceeding estimated resources.

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$112,641	4%

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. DEBT (Continued)

The Township issued a general obligation note to finance the purchase of a back hoe and for the maintenance and repair of Township roads.

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

	General Obligation Notes
Year ending December 31:	<hr/>
2006	\$116,403

6. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RISK MANAGEMENT (Continued)

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31 2004 and 2003 (the latest information available):

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

8. RELATED PARTY TRANSACTIONS

A Trustee, John Leslie, voted on wages, health insurance, and leave benefits for Anson Leslie, his cousin, who was a full-time employee of the Township. Trustee Leslie approved disbursements to the Leslie Trucking Company for hauling services, which is owned by Ira Leslie, his brother, which totaled \$2,902 during this audit period.

John Leslie was paid \$1,280 in 2005 for completing a Federal Emergency Management Agency (FEMA) project. The payment from FEMA was based upon bids submitted to the Township by contractors that were forwarded to FEMA, rather than the actual cost. Mr. Leslie completed the project for less than the amount received from FEMA based on the submitted bids. The Township used the difference to purchase additional materials and supplies for the FEMA project.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Newton Township
Pike County
2027 Williams Road
Piketon, Ohio 45661

To the Board of Township Trustees:

We have audited the financial statements of Newton Township, Pike County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 16, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated November 16, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-005. In a separate letter to the Township's management dated November 16, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Newton Township
Pike County
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 16, 2006

**NEWTON TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Finding for Recovery – Repaid Under Audit

The Board of Township Trustees adopted the leave policies of Pike County in 2003. These policies contain the method of accumulation and allowed usage for vacation and sick leave. These policies also contain the method for conversion of accumulated sick leave upon separation.

Section 8.03 (A), entitled "Termination Compensation" states that as of the date of separation from employment, an employee will receive payment for any accrued and unused vacation time to his/her credit. Subsection (B), entitled "Sick Leave Conversion" state that an employee who retires with ten or more years service with any political subdivision of the State of Ohio and is eligible for retirement, may request in writing to be paid in cash for one-fourth the value of his/her earned but unused sick leave credit. The maximum payment may not exceed 480 hours or 60 days. Payment is based upon the employee's rate of pay at the time of retirement and will eliminate all accrued sick leave to the employee's credit at the time of the payment.

During 2004, the Township paid an employee, Anson Leslie, \$550 for 50 hours of his accumulated sick leave in addition to his 80 hours worked for a particular pay period on August 13, 2004. There is no authority in the Township's policies to pay this employee for sick leave in this manner. The Township's policy only indicates that sick leave may be paid out upon retirement at one-fourth of the balance. Since the policy allows for payment of one-fourth of an employee's sick leave balance upon retirement, we consider three-fourths of the total amount paid to Mr. Leslie (\$550 X 75%) to be illegally expended.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Anson Leslie, Jamie Wooldridge, Township Clerk, Trustee Gilbert Brewster, Trustee John Leslie, Trustee William Robbins, the Ohio Township Association Risk Management Authority, the Clerk's and Trustee Robbins' bonding company, and the Ohio Farmers Insurance Company, Trustees Leslie and Brewster's bonding company, jointly and severally, in the amount of four hundred twelve dollars and fifty cents (\$412.50), in favor of the Gasoline Tax Fund of Newton Township. This finding was repaid on October 17, 2006 on receipt number 74-2006.

**NEWTON TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-002

Finding for Recovery – Repaid Under Audit

1982 Op. Atty. Gen. No. 82-076 states that there is no express grant of authority for a board of township trustees to pay the medical claims of its employees. A board of township trustees may only provide medical benefits in conformance with R.C. 505.60 [impliedly, 505.601]. 505.60, therefore, must be seen as a restriction upon the authority of a board of township trustees to provide medical benefits to its employees except in accordance with this code section [and impliedly, through 505.601]. Also, a board of township trustees may not expend township funds to pay the medical claims of its officers and employees that were incurred during a period in which there was an interruption in the medical insurance coverage provided pursuant to R.C. 505.60 [and impliedly, through 505.601].

During the months of June through December 2005, the Township paid an employee, Anson Leslie, ninety dollars (\$90) per month for a total of \$630 for reimbursement for his out-of-pocket medical expenses. There was no medical insurance coverage available to Mr. Leslie during this time.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Anson Leslie, Jamie Wooldridge, Township Clerk, Trustee Gilbert Brewster, Trustee John Leslie, Trustee William Robbins, the Ohio Township Association Risk Management Authority, the Clerk's and Trustee Robbins' bonding company, and the Ohio Farmers Insurance Company, Trustees Leslie and Brewster's bonding company, jointly and severally, in the amount of six hundred thirty dollars (\$630), in favor of the General Fund of Newton Township. This finding was repaid on October 17, 2006 on receipt number 74-2006.

FINDING NUMBER 2005-003

Noncompliance Citation

Ohio Rev. Code Section 5705.39 provides that total appropriations from each fund shall not exceed the total estimated resources.

During 2005, appropriations exceeded estimated resources. The following table shows the status at June 30 and December 31, 2005.

<u>June 30, 2005</u>	<u>Appropriation</u>	<u>Estimated Resources</u>	<u>Amount Exceeded</u>
Motor Vehicle License Fund	\$9,000	\$8,368	\$632
Gasoline Tax Fund	\$187,602	\$107,881	\$79,721
<u>December 31, 2005</u>			
Motor Vehicle License Fund	\$9,000	\$8,368	\$632

We recommend the Township Clerk monitor the original permanent appropriations, as well as any amendments, to ensure that appropriations do not exceed estimated resources.

**NEWTON TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Newton Township had disbursements that exceeded appropriations at June and December 2004 and 2005, as follows:

<u>Fund</u>	<u>Line Item</u>	<u>Appropriations</u>	<u>Disbursements</u>	<u>Amount Exceeded</u>
June 30, 2004:				
General Fund	Admin.-Salary-Clerk	\$7,200	\$8,735	\$1,535
Issue II Fund	Contracts	\$1,000	\$5,000	\$4,000
December 31, 2004:				
General Fund	Admin.-Salary-Clerk	\$7,200	\$12,504	\$5,304
Gasoline Tax Fund	Misc.-Salaries-Trustees	\$1,400	\$2,816	\$1,416
Road & Bridge Fund	Misc.-Supplies	\$1,000	\$1,255	\$255
Cemetery Fund	Employer's Retirement	\$1,100	\$1,325	\$225
Issue II Fund	Contracts	\$1,000	\$5,000	\$4,000

<u>Fund</u>	<u>Line Item</u>	<u>Appropriations</u>	<u>Disbursements</u>	<u>Amount Exceeded</u>
June 30, 2005:				
General Fund	Admin.-Salaries-Trustees	\$5,000	\$9,685	\$4,685
General Fund	Admin.-Salary-Clerk	\$3,000	\$3,774	\$774
General Fund	Admin.-Employer's Retirement	\$5,000	\$6,856	\$1,856
Cemetery Fund	Other Expenses	\$200	\$294	\$94
December 31, 2005:				
General Fund	Admin.-Salaries-Trustees	\$5,000	\$19,000	\$14,000
General Fund	Admin.-Salary-Clerk	\$3,000	\$9,151	\$6,151
General Fund	Admin.-Employer's Retirement	\$5,000	\$16,681	\$11,681
Gasoline Tax Fund	Supplies	\$6,000	\$9,018	\$3,018
Cemetery Fund	Other Expenses	\$200	\$409	\$209

We recommend the Newton Township Trustees approve amendments (not exceeding estimated resources) to the appropriations as necessary to ensure the disbursements do not exceed appropriations.

NEWTON TOWNSHIP
PIKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

FINDING NUMBER 2005-005

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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

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

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

66% and 51% of disbursements tested were not properly encumbered prior to commitment, for 2004 and 2005, respectively. By not certifying funds prior to a purchase commitment, this may cause Newton Township to obligate money it does not have, thus resulting in overspending funds and negative cash fund balances.

We recommend the Township not expend funds without obtaining the fiscal officer's certificate prior to an obligation being incurred.

We did not receive a response from Officials to the findings reported above.

**NEWTON TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Rev. Code Section 5705.39 appropriations exceeded estimated resources	No	Not Corrected. Reissued as Finding Number 2005-003.



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NEWTON TOWNSHIP

PIKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 7, 2006**