

**NEWTON TOWNSHIP
LICKING COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of Newton Township, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Newton Township, Licking County is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 16, 2007

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**NEWTON TOWNSHIP
LICKING COUNTY**

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INDEPENDENT AUDITORS' REPORT

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

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, Licking County, Ohio (the Township) as of and for the year ended December 31, 2005, 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 *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 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. 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 basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Township, Licking County, Ohio as of December 31, 2005, and the respective changes in cash basis financial position and the respective budgetary comparisons of the General, Road & Bridge, Cemetery, and Fire District Funds thereof for the year then ended in conformity with the accounting basis Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
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Newton Township
Licking County
Independent Auditors' Report

In addition, as discussed in Note 3, the Township adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosure*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2007 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or compliance. 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 required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Wilson, Shuman & Snow, Inc.

January 2, 2007

**NEWTON TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

This management's discussion and analysis of Newton Township, Licking County (the "Township") financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's cash basis 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 2005 are as follows:

- Net assets of governmental activities increased \$96,406, or 12 percent, from the prior year. The funds most affected by the increase in cash and cash equivalents were the Road & Bridge and Cemetery Funds, which realized less disbursements than 2004.
- The Township's general receipts are primarily property and intergovernmental receipts. These receipts represent respectively 30 and 12 percent of the total cash received for governmental activities during the year. The other largest portion is from capital grants and contributions which received \$309,801, or 32 percent of total receipts received for governmental activities.
- The Township's major funds consisted of the General, Road & Bridge, Cemetery, Fire District, and Issue II Funds. The General Fund had cash receipts of \$175,023 and cash disbursements of \$167,913 noting an increase in fund balance of \$7,110 from the prior year. The Road & Bridge Fund had cash receipts of \$111,649 and cash disbursements of \$76,742 noting an increase in fund balance of \$34,907 from the prior year. The Cemetery Fund had cash receipts and other financing sources of \$114,116 and cash disbursements of \$108,485 noting an increase in fund balance of \$5,631 from the prior year. The Fire District Fund had cash receipts of \$181,826 and cash disbursements of \$146,559 noting an increase in fund balance of \$35,267 from the prior year. Finally, the Issue II Fund had cash receipts of \$309,801 and cash disbursements of \$309,801.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of 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.

**NEWTON TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

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 accounting principles generally accepted in the United States of America. 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.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of cash basis 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. 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 nonfinancial 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 local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we divide the Township into the following activity:

- Governmental activities. Most of the Township's basic services are reported here, including general government, fire, streets and cemeteries. State and federal 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. The funds of the Township are split into two categories: governmental and fiduciary.

**NEWTON TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

Governmental Funds - Most 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 nonmajor 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 fund are the General, Road & Bridge, Cemetery, Fire District, and Issue II Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a cash basis:

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Assets		
Cash and Cash Equivalents	\$ 878,525	\$ 782,119
Total Assets	<u>\$ 878,525</u>	<u>\$ 782,119</u>
Net Assets		
Restricted for:		
Street Construction and Repair	\$ 378,456	\$ 312,214
Fire	144,809	109,542
Perpetual Care	116,683	111,052
Debt Service	-	17,881
Other Purposes	27,743	27,706
Unrestricted	<u>210,834</u>	<u>203,724</u>
Total Net Assets	<u>\$ 878,525</u>	<u>\$ 782,119</u>

As mentioned previously, net assets of governmental activities increased \$96,406 or 12 percent during 2005. The primary reasons contributing to the increased in cash balances are as follows:

- The Township noted increases in intergovernmental receipts in the form of local government and gasoline tax from 2004 along with decreased disbursements in the Road & Bridge and Fire District Funds from the prior year.

**NEWTON TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	Governmental Activities 2005
Cash Receipts:	
Program Receipts:	
Charges for Services and Sales	\$123,336
Operating Grants and Contributions	83,788
Capital Grants and Contributions	309,801
Total Program Receipts	516,925
General Receipts:	
Property and Other Local Taxes	296,095
Grants and Entitlements Not Restricted to Specific Programs	119,997
Interest	18,393
Other Local Revenues	20,857
Transfers	6,536
Total General Receipts and Transfers	461,878
Total Cash Receipts	978,803
Cash Disbursements:	
General Government	107,977
Public Safety	80,376
Public Works	160,839
Health	109,730
Capital Outlay	390,390
Debt Service	33,085
Total Cash Disbursements	882,397
Change in Net Assets	96,406
Net Assets, January 1, 2005	782,119
Net Assets, December 31, 2005	\$878,525

Program receipts represent 53 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, and Issue II monies.

General receipts represent 47 percent of the Township's total receipts, and of this amount, over 65 percent are local taxes. State grants and entitlements make up the balance of the Township's general receipts (26 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

**NEWTON TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

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 trustees, and the fiscal officer.

Public Safety are the costs of fire protection; Health Services is the operations of the Township cemetery; and Public Works are the costs of maintaining the Township streets.

Governmental Activities

If you look at the Statement of Activities on page 10, 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 capital outlay, which account for 44 percent of all governmental disbursements. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Cash Receipt (Cash Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts 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.

	Total Cost Of Services 2005	Net Cost of Services 2005
	2005	2005
General Government	\$ 107,977	\$ 107,977
Public Safety	80,376	70,376
Public Works	160,839	73,138
Health	109,730	307
Capital Outlay	390,390	80,589
Debt Service	33,085	33,085
Total Expenses	\$ 882,397	\$ 365,472

The Township's Funds

Total governmental funds had receipts and other financing sources of \$978,803 and disbursements of \$882,397. The greatest change within governmental funds occurred within the Fire District Fund. The fund balance of the Fire District Fund increased \$35,267 as the result of less costs from the prior year.

General Fund receipts were greater than disbursements by \$7,110 indicating that the General Fund is avoiding a deficit spending situation.

**NEWTON TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

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.

During 2005, the Township did not amend its General Fund budget. The difference between final budgeted receipts and actual receipts was \$51,041 indicating the Township received more monies than expected.

Final disbursements were budgeted at \$327,616 while actual disbursements were \$167,913.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2005, the Township did not have outstanding debt noting all outstanding debt was retired. For further information regarding the Township's debt, refer to Note 10 to the basic financial statements.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. We will continue to monitor disbursements and live within our means.

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 Terry Tharp, Fiscal Officer, Newton Township, 3579 Chestnut Hills Road, Newark, Ohio 43055.

**NEWTON TOWNSHIP
LICKING COUNTY**

*Statement of Net Assets - Cash Basis
December 31, 2005*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 878,525
<i>Total Assets</i>	<u>\$ 878,525</u>
Net Assets	
Restricted for:	
Street Construction and Repair	\$ 378,456
Fire	144,809
Perpetual Care	116,683
Other Purposes	27,743
Unrestricted	<u>210,834</u>
<i>Total Net Assets</i>	<u>\$ 878,525</u>

See accompanying notes to the basic financial statements

**NEWTON TOWNSHIP
LICKING COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2005*

	Cash Disbursements	Program Cash Receipts			Net (Cash Disbursements) Cash Receipts, and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$ 107,977	\$ -	\$ -	\$ -	\$ (107,977)
Public Safety	80,376	10,000	-	-	(70,376)
Public Works	160,839	3,913	83,788	-	(73,138)
Health	109,730	109,423	-	-	(307)
Capital Outlay	390,390	-	-	309,801	(80,589)
Debt Service	33,085	-	-	-	(33,085)
Total	<u>\$ 882,397</u>	<u>\$ 123,336</u>	<u>\$ 83,788</u>	<u>\$ 309,801</u>	<u>(365,472)</u>
General Receipts					
					296,095
					119,997
					18,393
					20,857
					6,536
					<u>461,878</u>
					Change in Net Assets 96,406
					<u>Net Assets Beginning of Year 782,119</u>
					<u>Net Assets End of Year \$ 878,525</u>

See accompanying notes to the basic financial statements

**NEWTON TOWNSHIP
LICKING COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005*

	<u>General</u>	<u>Road & Bridge</u>	<u>Cemetery</u>	<u>Fire District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 210,834	\$ 186,164	\$ 116,683	\$ 144,809	\$ 220,035	\$ 878,525
<i>Total Assets</i>	<u>\$ 210,834</u>	<u>\$ 186,164</u>	<u>\$ 116,683</u>	<u>\$ 144,809</u>	<u>\$ 220,035</u>	<u>\$ 878,525</u>
Fund Balances						
Unreserved:						
Reported in:						
General Fund	\$ 210,834	\$ -	\$ -	\$ -	\$ -	\$ 210,834
Special Revenue Funds	-	186,164	116,683	144,809	220,035	667,691
<i>Total Fund Balances</i>	<u>\$ 210,834</u>	<u>\$ 186,164</u>	<u>\$ 116,683</u>	<u>\$ 144,809</u>	<u>\$ 220,035</u>	<u>\$ 878,525</u>

See accompanying notes to the basic financial statements

**NEWTON TOWNSHIP
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005*

	General	Road & Bridge	Cemetery	Fire District	Issue II	Other Governmental Funds	Total Governmental Funds
Cash Receipts							
Property and Other Local Taxes	\$ 57,919	\$ 96,586	\$ -	\$ 141,590	\$ -	\$ -	\$ 296,095
Charges for Services	-	-	-	10,000	-	-	10,000
Licenses, Permits and Fees	1,843	-	98,020	-	-	-	99,863
Fines and Forfeitures	-	-	9,560	-	-	-	9,560
Intergovernmental	89,488	12,398	-	18,111	309,801	83,788	513,586
Special Assessments	3,913	-	-	-	-	-	3,913
Interest	15,793	-	-	-	-	2,600	18,393
Other Local Revenues	6,067	2,665	-	12,125	-	-	20,857
<i>Total Cash Receipts</i>	<u>175,023</u>	<u>111,649</u>	<u>107,580</u>	<u>181,826</u>	<u>309,801</u>	<u>86,388</u>	<u>972,267</u>
Cash Disbursements							
Current:							
General Government	107,977	-	-	-	-	-	107,977
Public Safety	-	-	-	80,376	-	-	80,376
Public Works	31,421	76,742	-	-	-	52,676	160,839
Health	10,515	-	99,215	-	-	-	109,730
Capital Outlay	18,000	-	9,270	50,979	309,801	2,340	390,390
Debt Service:							
Principal Retirement	-	-	-	15,204	-	16,284	31,488
Interest and Fiscal Charges	-	-	-	-	-	1,597	1,597
<i>Total Cash Disbursements</i>	<u>167,913</u>	<u>76,742</u>	<u>108,485</u>	<u>146,559</u>	<u>309,801</u>	<u>72,897</u>	<u>882,397</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,110</u>	<u>34,907</u>	<u>(905)</u>	<u>35,267</u>	<u>-</u>	<u>13,491</u>	<u>89,870</u>
Other Financing Sources (Uses)							
Transfers In	-	-	6,536	-	-	-	6,536
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>6,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,536</u>
<i>Net Change in Fund Balances</i>	<u>7,110</u>	<u>34,907</u>	<u>5,631</u>	<u>35,267</u>	<u>-</u>	<u>13,491</u>	<u>96,406</u>
<i>Fund Balances Beginning of Year</i>	<u>203,724</u>	<u>151,257</u>	<u>111,052</u>	<u>109,542</u>	<u>-</u>	<u>206,544</u>	<u>782,119</u>
<i>Fund Balances End of Year</i>	<u>\$ 210,834</u>	<u>\$ 186,164</u>	<u>\$ 116,683</u>	<u>\$ 144,809</u>	<u>\$ -</u>	<u>\$ 220,035</u>	<u>\$ 878,525</u>

See accompanying notes to the basic financial statements

**NEWTON TOWNSHIP
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Balance - Budget and Actual -(Budgetary Basis)
General Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Cash Receipts				
Property and Other Local Taxes	\$ 41,028	\$ 41,028	\$ 57,919	\$ 16,891
Licenses, Permits and Fees	1,306	1,306	1,843	537
Intergovernmental	63,391	63,391	89,488	26,097
Special Assessments	2,772	2,772	3,913	1,141
Interest	11,187	11,187	15,793	4,606
Other Local Revenues	4,298	4,298	6,067	1,769
<i>Total Cash Receipts</i>	<u>123,982</u>	<u>123,982</u>	<u>175,023</u>	<u>51,041</u>
Cash Disbursements				
Current:				
General Government	210,674	210,674	107,977	102,697
Public Works	61,306	61,306	31,421	29,885
Health	20,516	20,516	10,515	10,001
Capital Outlay	35,120	35,120	18,000	17,120
<i>Total Cash Disbursements</i>	<u>327,616</u>	<u>327,616</u>	<u>167,913</u>	<u>159,703</u>
<i>Net Change in Fund Balance</i>	(203,634)	(203,634)	7,110	210,744
<i>Fund Balance Beginning of Year</i>	<u>203,724</u>	<u>203,724</u>	<u>203,724</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 90</u>	<u>\$ 90</u>	<u>\$ 210,834</u>	<u>\$ 210,744</u>

See accompanying notes to the basic financial statements

**NEWTON TOWNSHIP
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Balance - Budget and Actual -(Budgetary Basis)
Road & Bridge Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Cash Receipts				
Property and Other Local Taxes	\$ 96,556	\$ 96,556	\$ 96,586	\$ 30
Intergovernmental	12,394	12,394	12,398	4
Other Local Revenues	2,664	2,664	2,665	1
<i>Total Cash Receipts</i>	<u>111,614</u>	<u>111,614</u>	<u>111,649</u>	<u>35</u>
Cash Disbursements				
Current:				
Public Works	262,871	262,871	76,742	186,129
<i>Total Cash Disbursements</i>	<u>262,871</u>	<u>262,871</u>	<u>76,742</u>	<u>186,129</u>
<i>Net Change in Fund Balance</i>	(151,257)	(151,257)	34,907	186,164
<i>Fund Balance Beginning of Year</i>	<u>151,257</u>	<u>151,257</u>	<u>151,257</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,164</u>	<u>\$ 186,164</u>

See accompanying notes to the basic financial statements

**NEWTON TOWNSHIP
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Balance - Budget and Actual -(Budgetary Basis)*

Cemetery Fund

For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Cash Receipts				
Licenses, Permits and Fees	\$ 94,758	\$ 94,758	\$ 98,020	\$ 3,262
Fines and Forfeitures	9,242	9,242	9,560	318
<i>Total Cash Receipts</i>	<u>104,000</u>	<u>104,000</u>	<u>107,580</u>	<u>3,580</u>
Cash Disbursements				
Current:				
Health	196,676	196,676	99,215	97,461
Capital Outlay	18,376	18,376	9,270	9,106
<i>Total Cash Disbursements</i>	<u>215,052</u>	<u>215,052</u>	<u>108,485</u>	<u>106,567</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(111,052)</u>	<u>(111,052)</u>	<u>(905)</u>	<u>110,147</u>
Other Financing Sources (Uses)				
Transfers In	-	-	6,536	6,536
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>6,536</u>	<u>6,536</u>
<i>Net Change in Fund Balance</i>	(111,052)	(111,052)	5,631	116,683
<i>Fund Balance Beginning of Year</i>	<u>111,052</u>	<u>111,052</u>	<u>111,052</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,683</u>	<u>\$ 116,683</u>

See accompanying notes to the basic financial statements

**NEWTON TOWNSHIP
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Balance - Budget and Actual -(Budgetary Basis)
Fire District Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Cash Receipts				
Property and Other Local Taxes	\$ 138,498	\$ 138,498	\$ 141,590	\$ 3,092
Charges for Services	9,782	9,782	10,000	218
Intergovernmental	17,715	17,715	18,111	396
Other Local Revenues	11,860	11,860	12,125	265
<i>Total Cash Receipts</i>	<u>177,855</u>	<u>177,855</u>	<u>181,826</u>	<u>3,971</u>
Cash Disbursements				
Current:				
Public Safety	157,614	157,614	80,376	77,238
Capital Outlay	99,968	99,968	50,979	48,989
Debt Service:				
Principal Retirement	29,815	29,815	15,204	14,611
<i>Total Cash Disbursements</i>	<u>287,397</u>	<u>287,397</u>	<u>146,559</u>	<u>140,838</u>
<i>Net Change in Fund Balance</i>	(109,542)	(109,542)	35,267	144,809
<i>Fund Balance Beginning of Year</i>	<u>109,542</u>	<u>109,542</u>	<u>109,542</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,809</u>	<u>\$ 144,809</u>

See accompanying notes to the basic financial statements

**NEWTON TOWNSHIP
LICKING COUNTY**

*Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
December 31, 2005*

	Agency Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 109,572
<i>Total Assets</i>	<u>109,572</u>
Net Assets	
Unrestricted	<u>\$ 109,572</u>

See accompanying notes to the basic financial statements

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**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Note 1 – Reporting Entity

Newton Township, Licking County, Ohio (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 also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

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 bridges, fire protection and cemetery maintenance.

B. Component Units

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 support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their 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 does not have any component units.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented 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. Following are the more significant of the Township's accounting policies.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

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 the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

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 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, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which its governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds 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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The Township uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into two categories, governmental and fiduciary.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are as follows:

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (continued)

General Fund- This fund is used to account 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.

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

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

Fire District Fund- This fund receives property tax money levied for contracted fire protection services to Township residents.

Issue II Fund- This fund receives grant monies from the State of Ohio for street construction maintenance and repair.

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

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township's only fiduciary fund is an agency fund. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's agency fund accounts for prepayments received for opening and closing fees for future burials.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Township are described in the appropriate section in this note.

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.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, function, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation 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 appropriation amounts passed by the Township during the year.

E. Cash and Investments

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. 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 (contra revenue), respectively.

During 2005, the Township invested in a repurchase agreement.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$15,793.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (continued)

F. Restricted Assets

Cash, cash equivalents and investments 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. The Township did not report restricted assets.

G. Inventory and Prepaid Items

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. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The Township did not have outstanding interfund loans at December 31, 2005.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (continued)

M. 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. Net assets restricted for other purposes include resources restricted for street maintenance and repair.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. The Township did not have fund balance reserves at December 31, 2005.

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Township did not have extraordinary or special items for 2005.

Note 3 – Change in Basis of Accounting and in Accounting Principle

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has revised its financial statement presentation in accordance with Governmental Accounting Standards Board Statement No. 34. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 3 – Change in Basis of Accounting and in Accounting Principle (continued)

In March of 2003 GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures* (an amendment of GASB Statement No. 3). This statement amends Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principle areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that included investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement are effective for financial statements for the year ending December 31, 2005. The implementation of this GASB had no impact on the financial position of the Township at December 31, 2005.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, cash disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General, Road & Bridge, Cemetery, and Fire District funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There are no differences between the budgetary basis and the cash basis based upon the Township not reporting outstanding year end encumbrances which would be treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) or reporting outstanding year end advances which would be treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis).

Note 5 – 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 Trustees have 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.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 5 - Deposits and Investments (continued)

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 and 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 expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk 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, \$34,102 of the Township's bank balance was covered by the FDIC.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be 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.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 5 - Deposits and Investments (continued)

Investments

As of December 31, 2005, the Township had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 Months or Less</u>
Repurchase Agreement	<u>\$953,995</u>	<u>\$953,995</u>

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Township does not have an investment policy addressing interest rate risk, however, the Township generally structures its investment portfolio so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

The following is a reconciliation of cash, cash equivalents and investments to the Statement of Net Assets as of December 31, 2005:

Investments (summarized above)	\$953,995
Carrying amount of Township's deposits	34,102
Less: Fiduciary Funds – Cash and Cash Equivalents	<u>(109,572)</u>
Total Governmental Activities – Cash and Investments	<u>\$878,525</u>

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. 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.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 6 – Property Taxes (continued)

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$8.10 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$45,464,110
Agriculture	6,155,760
Commercial/Industrial/Mineral	1,924,140
Public Utility Property	
Real	27,920
Personal	2,330,410
Tangible Personal Property	1,547,150
Total Assessed Value	<u><u>\$57,449,490</u></u>

Note 7 – Risk Management

Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 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 pays 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.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 7 – Risk Management (continued)

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 obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31 follows:

	2005	2004
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

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

Note 8 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

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 percent 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 benefit 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, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The employer contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township made all required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 9 – Postemployment Benefits

A. Ohio Public Employees Retirement System

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 benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. 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 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 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.

The number of active contributing participants in the traditional and combined plans was 376,109. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 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. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 10 – Debt

The Township’s long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
Ambulance Note	4.99%	\$31,488	\$0	(\$31,488)	\$0	\$0

The Township retired the outstanding ambulance note at December 31, 2005. The Township did not have any other outstanding debt at December 31, 2005.

Note 11 – Interfund Transfers

During 2005 the following transfers were made:

Transfers from Nonmajor Agency Fund to:	
Cemetery Fund	\$6,536
Total Transfers from the Nonmajor Agency Fund	\$6,536

The Township’s Agency Fund collects prepayments for opening and closing fees for future burials in the name of the individual until the service has been provided. The transfer to the Cemetery Fund is for the reimbursement of services as provided by the Prearrangement for Interment Contract. Transfers are considered allowable in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

Newton Township
Licking County
3579 Chestnut Hill Road
Newark, Ohio 43055

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Township, Licking County, Ohio (the Township) as of and for the year ended December 31, 2005, and issued our report thereon dated January 2, 2007. For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*. In addition, as disclosed in Note 3, the Township adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. 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 *Government Auditing Standards* issued by the Comptroller General of the United States.

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 an opine 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 that, in our judgment, 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 2005-001.

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 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 of internal control over financial reporting 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. In a separate letter to the Township’s management dated January 2, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

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 statements 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In a separate letter to the Township's management dated January 2, 2007, we reported immaterial instances of noncompliance or other matters.

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

Wilson, Shuman & Snow, Inc.

January 2, 2007

**NEWTON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

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

FINDING NUMBER 2005-001

Reportable Condition

The following internal control weaknesses were noted over cemetery receipts:

- a. The Cemetery Sexton did not maintain an easily identifiable audit trail substantiating cemetery collections received by the Cemetery Sexton to the ultimate deposit with the Township Fiscal Officer. This would include the retention of receipts issued to customers as well as recording of receipts from openings, closings, sale of lots, and other cemetery receipts in a separate general ledger from the Township's computerized general ledger.
- b. Receipts from openings, closings, sale of lots, and other cemetery receipts are deposited with the Township Fiscal Officer once a month. However, we were able to determine that each deposit made by the Cemetery Sexton to the Fiscal Officer was recorded within the proper fund of the Township noting the Fiscal Officer made timely deposits once the monies were received from the Cemetery Sexton.

The above weaknesses can result in an inability to manage and monitor departmental operations in an effective manner. To strengthen existing operations, management should consider the following:

- a. The Cemetery Sexton should retain all duplicate receipts issued which should be recorded in a separate general ledger from the Township's computerized general ledger. The Cemetery Sexton should record the date, duplicate receipt number, individual making payment, type of collection, and amount received. Maintaining this type of documentation will assist in reconciling collections and help provide an audit trail for the amounts recorded within the Township's computerized general ledger.
- b. The Board of Trustees should adopt a policy requiring the Cemetery Sexton to deposit with the Township Fiscal Officer in accordance with Ohio Revised Code Section 9.38.

Official's Response: The Township will review its current procedures to implement the suggested considerations listed above.

**NEWTON TOWNSHIP
LICKING COUNTY**

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

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	The Township had internal control weaknesses over cemetery receipts.	No	Reissued as finding number 2005-001.



Mary Taylor, CPA
Auditor of State

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
MARCH 29, 2007**