



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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NEWTON TOWNSHIP
PIKE COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2013 and 2012
Fiscal Years Audited Under GAGAS: 2013 and 2012



Dave Yost • Auditor of State

Board of Trustees
Newton Township
2027 Williams Road
Piketon, Ohio 45661

We have reviewed the *Independent Auditor's Report* of Newton Township, Pike County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2012 through December 31, 2013. 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 is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 21, 2014

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Pike County
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Independent Auditor's Report

Board of Trustees
Newton Township
Pike County
2027 Williams Road
Piketon, Ohio 45661

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Newton Township, Pike County (the Township), as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and

Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Basis for Qualified Opinions on the General, Gasoline Tax and Cemetery Funds

The Township had prior audit adjustments that were not posted to the Township's accounting system due to the impact that these adjustments would have on the General Fund. Had the posting of the prior audit adjustments been made to the financial statements and accounting system, the General Fund cash fund balance would have decreased by \$54,285, the Gasoline Tax Fund cash fund balance would have increased by \$51,413, the Cemetery Fund cash fund balance would have increased by \$2,858, and the Road and Bridge Fund would have increased by \$14.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of such adjustment made to the financial statements due to the errors described in the preceding paragraph, 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, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2014, 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 internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer CPAs INC.
Piketon, Ohio
May 21, 2014

**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, 2013**

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property Taxes | \$ 19,444 | \$ 39,420 | \$ 58,864 |
| Intergovernmental | 29,827 | 90,669 | 120,496 |
| Earnings on Investments | 49 | 23 | 72 |
| Miscellaneous | 989 | - | 989 |
| | <u>50,309</u> | <u>130,112</u> | <u>180,421</u> |
| Total Cash Receipts | | | |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | 44,249 | 15,849 | 60,098 |
| Public Safety | - | 47,904 | 47,904 |
| Public Works | - | 66,544 | 66,544 |
| Health | - | 7,100 | 7,100 |
| Capital Outlay | - | 24,489 | 24,489 |
| Debt Service: | | | |
| Redemption of Principal | - | 15,134 | 15,134 |
| Interest and Fiscal Charges | 1,265 | - | 1,265 |
| | <u>45,514</u> | <u>177,020</u> | <u>222,534</u> |
| Total Cash Disbursements | | | |
| Total Cash Receipts Over/(Under) Cash Disbursements | 4,795 | (46,908) | (42,113) |
| Other Financing Receipts (Disbursements): | | | |
| Sale of Notes | - | 24,489 | 24,489 |
| | <u>-</u> | <u>24,489</u> | <u>24,489</u> |
| Net Change in Fund Cash Balances | 4,795 | (22,419) | (17,624) |
| Fund Cash Balances, January 1 | <u>17,699</u> | <u>118,671</u> | <u>136,370</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | - | 96,252 | 96,252 |
| Unassigned | 22,494 | - | 22,494 |
| | <u>22,494</u> | <u>-</u> | <u>22,494</u> |
| Total Fund Cash Balances, December 31 | <u>\$ 22,494</u> | <u>\$ 96,252</u> | <u>\$ 118,746</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, 2012**

| | <u>Governmental Fund Types</u> | | <u>Totals (Memorandum Only)</u> |
|--|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property Taxes | 22,612 | 47,897 | \$ 70,509 |
| Intergovernmental | 23,002 | 97,376 | 120,378 |
| Earnings on Investments | 59 | 15 | 74 |
| Miscellaneous | 630 | 812 | 1,442 |
| | <u>46,303</u> | <u>146,100</u> | <u>192,403</u> |
| Total Cash Receipts | | | |
| | <u>46,303</u> | <u>146,100</u> | <u>192,403</u> |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | 51,177 | 18,654 | 69,831 |
| Public Safety | - | 24,000 | 24,000 |
| Public Works | - | 62,495 | 62,495 |
| Health | - | 9,243 | 9,243 |
| Debt Service: | | | |
| Redemption of Principal | - | 9,120 | 9,120 |
| Interest and Fiscal Charges | 415 | 1,780 | 2,195 |
| | <u>51,592</u> | <u>125,292</u> | <u>176,884</u> |
| Total Cash Disbursements | | | |
| | <u>51,592</u> | <u>125,292</u> | <u>176,884</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | (5,289) | 20,808 | 15,519 |
| Other Financing Receipts (Disbursements): | | | |
| Sale of Notes | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Cash Balances | (5,289) | 20,808 | 15,519 |
| Fund Cash Balances, January 1 | <u>22,988</u> | <u>97,863</u> | <u>120,851</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | - | 118,671 | 118,671 |
| Unassigned | 17,699 | - | 17,699 |
| | <u>17,699</u> | <u>-</u> | <u>17,699</u> |
| Total Fund Cash Balances, December 31 | <u>\$ 17,699</u> | <u>\$ 118,671</u> | <u>\$ 136,370</u> |

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. The 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 private-purpose 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.

Fire District- This fund receives property tax money to purchase fire equipment and provide fire protection service to the residents of the Township.

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 re-appropriated in the subsequent year. The Township did not encumber all commitments as required by Ohio Law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Property, Plant and Equipment

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

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 deposits at December 31 was as follows:

| | | |
|-----------------|-------------|-------------|
| | <u>2013</u> | <u>2012</u> |
| Demand deposits | \$118,746 | \$136,370 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution of the Township.

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 as follows:

| 2013 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 49,489 | \$ 50,309 | \$ 820 |
| Special Revenue | 141,142 | 154,601 | 13,459 |
| Total | \$ 190,631 | \$ 204,910 | \$ 14,279 |

| 2013 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 52,801 | \$ 45,514 | \$ (7,287) |
| Special Revenue | 182,152 | 177,020 | (5,132) |
| Total | \$ 234,953 | \$ 222,534 | \$ (12,419) |

| 2012 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 70,831 | \$ 46,303 | \$ (24,528) |
| Special Revenue | 189,738 | 146,100 | (43,638) |
| Total | \$ 260,569 | \$ 192,403 | \$ (68,166) |

| 2012 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 52,499 | \$ 51,592 | \$ 907 |
| Special Revenue | 161,466 | 125,292 | 36,174 |
| Total | \$ 213,965 | \$ 176,884 | \$ 37,081 |

Contrary to ORC Section 5705.41(B), actual expenditures exceeded appropriations at December 31, 2013 in the Cemetery Fund, and Fire Fund by \$552, and \$12,467, respectively; at December 31, 2012 in the Cemetery Fund by \$969. Also contrary to ORC section 5705.39, appropriations were in excess of estimated resources at December 31, 2012 in the Gasoline Tax fund by \$7,053.

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax 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 property owner elects to pay semiannually, the first half is due December 31. The second half payment is due to 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, 2013 was as follows:

| | <u>Principal</u> | <u>Interest</u> |
|---------------------|------------------|-----------------|
| 2012 Kubota Tractor | \$ 24,418 | 3.75% |
| | <u>\$ 24,418</u> | |

The Township purchased a tractor in 2012 through a third-party financing company, to be used for maintenance of Township roads. The original note for the 2012 tractor loan was for \$24,418 with an interest rate of 3.75%. This note is a one year note renewable up to six years with the entire principal balance being due each year.

Amortization of the above debt, including interest of \$918 is scheduled as follows:

| | <u>2012 Tractor</u> |
|--------------------------|---------------------|
| Year Ending December 31: | |
| 2012 | \$ 25,336 |
| | <u>\$ 25,336</u> |

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Retirement Systems

The Township 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 2013 and 2012, OPERS members contributed 10.0%, of their gross salaries and the Township contributed an amount equaling 14.0%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

7. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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 and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management (Continued)

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, 2012 and 2011 (the latest information available):

| | <u>2012</u> | <u>2011</u> |
|-------------|---------------------|---------------------|
| Assets | \$34,771,270 | \$35,086,165 |
| Liabilities | <u>(9,355,082)</u> | <u>(9,718,792)</u> |
| Net Assets | <u>\$25,416,188</u> | <u>\$25,367,373</u> |

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$2,000

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

| Contributions to OTARMA | | |
|-------------------------|----|-------|
| 2011 | \$ | 2,945 |
| 2012 | \$ | 3,041 |
| 2013 | \$ | 3,595 |

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. Change in Accounting Principle and Fund Balances

The Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the General Fund and Special Revenue Funds for the year ended December 31, 2013 are presented as follows:

| <u>Fund Balances</u> | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Total</u> |
|------------------------|---------------------|----------------------------------|-------------------|
| Restricted For: | | | |
| Cemetery Operations | \$ - | \$ 5,613 | \$ 5,613 |
| Fire Operations | - | 26,145 | 26,145 |
| Road and Bridges | - | <u>58,216</u> | <u>58,216</u> |
| Total Restricted | <u>-</u> | <u>89,974</u> | <u>89,974</u> |
| Unassigned | <u>28,771</u> | <u>-</u> | <u>28,771</u> |
| Total Fund Balances | <u>\$ 28,771</u> | <u>\$ 89,974</u> | <u>\$ 118,745</u> |

The constraints placed on fund balance for the General Fund and Special Revenue Funds for the year ended December 31, 2012 are presented as follows:

| <u>Fund Balances</u> | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Total</u> |
|------------------------|---------------------|----------------------------------|-------------------|
| Restricted For: | | | |
| Cemetery Operations | \$ - | \$ 9,268 | \$ 9,268 |
| Fire Operations | - | 52,758 | 52,758 |
| Road and Bridges | - | <u>56,645</u> | <u>56,645</u> |
| Total Restricted | <u>-</u> | <u>118,671</u> | <u>118,671</u> |
| Unassigned | <u>17,699</u> | <u>-</u> | <u>17,699</u> |
| Total Fund Balances | <u>\$ 17,699</u> | <u>\$ 118,671</u> | <u>\$ 136,370</u> |



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Board of Trustees
Newton Township
Pike County
2027 Williams Road
Piketon, Ohio 45661

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Newton Township, Pike County (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated May 21, 2014 wherein we noted that the Township followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, and described in Note 1, wherein we qualified our opinion on the 2013 and 2012 financial statements of the General, Gasoline Tax, Road and Bridge, and Cemetery Funds due to the Township declining to make audit adjustments from the 2006-2007 and 2008-2009 audit periods for improper postings.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

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, opining 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 2013-002, and 2013-003.

Entity's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
May 21, 2014

**NEWTON TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDING NUMBER 2013-001

Material Weakness

Sound financial reporting is the responsibility of the fiscal officer and Board of Trustees and is essential to ensure information provided to the readers of the financial statements is complete and accurate.

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Township's internal controls over financial reporting. Misstatements were identified in the following areas:

- Property Tax revenues,
- Intergovernmental revenues,
- Debt payments,
- Health,
- Public Works,

All of the above noted adjustments have been posted to the financial statements and to the Townships' UAN accounting system.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Township Manual for guidance on the correct line item to post various receipts and expenditures of the Township.

Client Response:

The Fiscal Officer will review the UAN chart of accounts and take steps to correct the posting errors in the future.

FINDING NUMBER 2013-002

Non-Compliance

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

The Township had actual expenditures in excess of appropriations at December 31, 2013 in the following funds, Cemetery fund and Fire fund by \$552, and \$12,467, respectively; at December 31, 2012 in the Cemetery fund by \$968.

The Township should implement monitoring procedures to ensure expenditures do not exceed appropriations.

Client Response:

The Township will monitor the appropriations and expenditures more closely.

**NEWTON TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDING NUMBER 2013-003

Non-Compliance

Ohio Revised Code section 5705.39 states in part that total appropriations from each fund shall not exceed the total estimated resources.

The Township had appropriations in excess of estimated resources at December 31, 2012 in the Gasoline Tax fund by \$7,053. By appropriating more than what is expected to be received could lead to over spending in a fund causing a negative fund balance.

The Township's Fiscal Officer should ensure that appropriations are not in excess of estimated resources throughout the year. If it is determined that appropriations are in excess of estimated resources the Fiscal Officer should obtain an amended appropriations measure and reduce spending in that fund accordingly.

Client Response:

The client chose not to respond to the above finding.

**NEWTON TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|-----------------------|--|-------------------------|--|
| 2011-001 | Material Weakness/Non-compliance OAC Section 117-2-02A; Accounting system and accounting records | No | Reissued as 2013-001 |
| 2011-002 | ORC Section 5705.41 (D) encumbering funds prior to expenditures being made | Yes | |
| 2011-003 | ORC 5705.41(B); Expenditures in excess of appropriations | No | Reissued as 2013-002 |



Dave Yost • Auditor of State

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
SEPTEMBER 4, 2014**