

Newton Township
Pike County, Ohio

Regular Audit

January 1, 2008, through December 31, 2009
Fiscal Years Audited Under GAGAS: 2009 and 2008



Balestra, Harr & Scherer, CPAs, Inc.

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639



Mary Taylor, CPA

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, 2008 through December 31, 2009. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Finding for Adjustment

Ohio Rev. Code Section 505.24(C) sets forth the method by which Township Trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036. This section requires that compensation of a Township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation.

If trustees do not document their time and indicate the funds to be charged based on this documentation, then no part of salaries may be paid from these other funds. The requirements of Ohio Rev. Code Section 505.24(C) were noted in the Management Letter of the Newton Township Audit Report for the years ended December 31, 2005 and 2004.

The Township Trustees salaries were allocated between the Gasoline Tax, Motor Vehicle License Tax and Road and Bridge Funds. The Township Trustees did not prepare documentation for how they spent their time. It is necessary for township trustees to document their time in order to substantiate that salaries were allocated to the proper funds.

During 2008, the Township improperly paid salaries for the Township Trustees from the Gasoline Tax Fund in the amount of \$13,732, the Motor Vehicle License Tax Fund in the amount of \$1,653, and from the Road and Bridge Fund in the amount of \$1,634, which should have been paid from the General Fund. Due to the impact these adjustments would have on the General Fund, the Township has declined to make these adjustments this audit period.

During 2009, the Township improperly paid salaries for the Township Trustees from the Gasoline Tax Fund in the amount of \$12,755, the Motor Vehicle License Tax Fund in the amount of \$2,431, and from the Road and Bridge Fund in the amount of \$2,450, which should have been paid from the General Fund. Due to the impact these adjustments would have on the General Fund, the Township has declined to make these adjustments this audit period.

Had the posting errors noted in the preceding two paragraphs been properly posted to the financial statements and the accounting system, the General Fund cash fund balance would have decreased by \$34,655, the Gasoline Tax Fund cash fund balance would have increased by \$26,487, Motor Vehicle License Tax Fund cash fund balance would have increased by \$4,084 and the Road and Bridge Fund cash fund balance would have increased by \$4,084.

A finding for adjustment is issued against the General Fund in the amount of \$34,655, and in favor of the Gasoline Tax Fund in the amount of \$26,487, the Motor Vehicle License Tax Fund in the amount of \$4,084 and in favor of the Road and Bridge Fund in the amount of \$4,084.

Board of Trustees
Newton Township
2027 Williams Road Piketon, Ohio 45661
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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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 13, 2010

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Newton Township
Pike County
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Independent Auditor's Report

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

We have audited the accompanying financial statements of Newton Township, Pike County, (the Township) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in paragraphs 6, 7, 8, 9, and 10, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinions.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

During 2009, the Township improperly paid salaries for the Township Trustees from the Gasoline Tax Fund in the amount of \$13,732, from the Motor Vehicle License Tax Fund in the amount of \$1,653, and from the Road and Bridge Fund in the amount of \$1,634, which should have been paid from the General Fund. Due to the impact these adjustments would have on the General Fund, the Township has declined to make these adjustments this audit period.

During 2008, the Township improperly paid salaries for the Township Trustees from the Gasoline Tax Fund in the amount of \$12,755, from the Motor Vehicle License Tax Fund in the amount of \$2,431, and from the Road and Bridge Fund in the amount of \$2,450, which should have been paid from the General Fund. Due to the impact these adjustments would have on the General Fund, the Township has declined to make these adjustments this audit period.

During 2007, the Township improperly paid salaries for the Township Trustees from the Gasoline Tax Fund in the amount of \$23,818, from the Cemetery Fund in the amount of \$2,304, and from the Road and Bridge Fund in the amount of \$14, which should have been paid from the General Fund. Due to the impact these adjustments would have on the General Fund, the Township has declined to make these adjustments this audit period.


During 2006, the Township improperly paid salaries for the Township Trustees from the Gasoline Tax Fund in the amount of \$1,108 and from the Cemetery Fund in the amount of \$554, which should have been paid from the General Fund. Due to the impact these adjustments would have on the General Fund, the Township has declined to make these adjustments this audit period.

Had the posting errors noted in the preceding four paragraphs been properly posted to the financial statements and the accounting system, the General Fund cash fund balance would have been decreased by \$62,453, the Gasoline Tax Fund cash fund balance would have increased by \$51,413, the Motor Vehicle License Tax Fund cash fund balance would have increased by \$4,084, the Road and Bridge Fund cash fund balance would have increased by \$4,098, and the Cemetery Fund cash fund balance would have increased by \$2,858.

Also, in our opinion, except for the effects of such adjustments, if any, were made to the financial statements due to the errors described in the preceding five paragraphs, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Newton Township as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion & Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2010, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.


Balestra, Harr & Scherer, CPAs, Inc.
May 14, 2010

**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, 2009**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 16,599	\$ 36,436	\$ 53,035
Intergovernmental	38,306	113,185	151,491
Earnings on Investments	167	24	191
	<u>55,072</u>	<u>149,645</u>	<u>204,717</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	35,417	55,051	90,468
Public Safety	-	19,794	19,794
Public Works	-	40,771	40,771
Health	-	3,557	3,557
Debt Service:			
Redemption of Principal	-	57,779	57,779
Interest and Fiscal Charges	-	2,309	2,309
	<u>35,417</u>	<u>179,261</u>	<u>214,678</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	19,655	(29,616)	(9,961)
Other Financing Receipts and (Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes	-	40,063	40,063
	<u>-</u>	<u>40,063</u>	<u>40,063</u>
Total Other Financing Receipts/(Disbursements)			
	<u>-</u>	<u>40,063</u>	<u>40,063</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	19,655	10,447	30,102
Fund Cash Balances, January 1	<u>19,129</u>	<u>95,454</u>	<u>114,583</u>
Fund Cash Balances, December 31	<u>\$ 38,784</u>	<u>\$ 105,901</u>	<u>\$ 144,685</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, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 17,898	\$ 34,757	\$ 52,655
Intergovernmental	21,746	96,627	118,373
Earnings on Investments	449	67	516
Miscellaneous	30	1,521	1,551
	<u>40,123</u>	<u>132,972</u>	<u>173,095</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	42,231	47,794	90,025
Public Safety	-	21,435	21,435
Public Works	-	37,202	37,202
Health	-	2,123	2,123
Debt Service:			
Redemption of Principal	-	76,765	76,765
Interest and Fiscal Charges	-	3,039	3,039
	<u>42,231</u>	<u>188,358</u>	<u>230,589</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	(2,108)	(55,386)	(57,494)
Other Financing Receipts and (Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes	-	57,779	57,779
	<u>-</u>	<u>57,779</u>	<u>57,779</u>
Total Other Financing Receipts/(Disbursements)	-	57,779	57,779
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,108)	2,393	285
Fund Cash Balances, January 1, restated see note 9	<u>21,237</u>	<u>93,061</u>	<u>114,298</u>
Fund Cash Balances, December 31	<u><u>\$ 19,129</u></u>	<u><u>\$ 95,454</u></u>	<u><u>\$ 114,583</u></u>

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

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 AND 2008**

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 deposits that are restricted as the 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 the 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 for constructing, maintaining, and repairing Township roads.

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

Fire District - This fund receives property tax money for fire prevention and protection.

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 AND 2008
(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 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 required by Ohio Law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

E. 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.

F. Accumulated Leave

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

2. Equity in Pooled Cash

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

	<u>2009</u>	<u>2008</u>
Demand deposits	<u>\$144,685</u>	<u>\$114,583</u>

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 AND 2008
(Continued)**

2. Equity in Pooled Cash (Continued)

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 51,245	\$ 55,072	\$ 3,827
Special Revenue	184,024	189,708	5,684
Total	\$ 235,269	\$ 244,780	\$ 9,511

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 43,684	\$ 35,417	\$ 8,267
Special Revenue	215,371	179,261	36,110
Total	\$ 259,055	\$ 214,678	\$ 44,377

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 41,202	\$ 40,123	\$ (1,079)
Special Revenue	192,448	190,751	(1,697)
Total	\$ 233,650	\$ 230,874	\$ (2,776)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 42,231	\$ (42,231)
Special Revenue	-	188,358	(188,358)
Total	\$ -	\$ 230,589	\$ (230,589)

Contrary to Ohio Revised Code 5705.36, the Township's appropriations exceeded actual resources in the Gasoline Tax Fund during 2009.

Contrary to Ohio Revised Code 5705.39, the Township's appropriations exceeded estimated resources in the Gasoline Tax Fund during 2009.

Contrary to Ohio Revised Code 5705.41(B), the Township's expenditures exceeded appropriations in multiple funds during 2008 and 2009.

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 AND 2008
(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, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Loan for Purchase of Truck	\$ 40,063	3.90%

The Township purchased a truck through a third-party financing company to be used for the maintenance of Township roads.

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

	Truck Loan
Year Ending December 31:	
2010	\$ 41,625
Total	\$ 41,625

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 2009 and 2008, 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, 2009.

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 AND 2008
(Continued)**

7. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006 the Pool retains casualty risk up to \$350,000 per occurrence.

Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2008) or \$3,000,000 (on or subsequent to January 1, 2008).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2008 was \$2,032,316.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 AND 2008
(Continued)**

7. Risk Management (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with the generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Assets	\$ 40,737,740	\$ 43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Retained Earnings	<u>\$ 27,755,922</u>	<u>\$ 29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 million and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 million and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$4,157. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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. The Township's contributions to OTARMA for the past three years are as follows:

Contributions to OTARMA	
2007	\$ 2,684
2008	\$ 2,209
2009	\$ 1,948

After completing one year of membership may withdraw on each anniversary of the date they joined OTARMA provided they provided written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution. Withdrawing members have no other future obligations 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.

8. Subsequent Events

At the January 2010 Board of Trustees meeting a contract was approved with Gus's Paving in the amount of \$40,000.

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 AND 2008
(Continued)**

9. Noncompliance

The Township did not maintain accounting records sufficient to present accurate financial statements as required by Ohio Administrative code Section 117-2-02A.

The Township did not maintain documentation to support the allocation of trustees' compensation to a fund other than the General Fund as required by Ohio Revised Code Section 505.24(C) and Ohio Attorney General Opinion 2004-036.



**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 the financial statements of Newton Township, Pike County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 14, 2010, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also qualified our report on the 2009 and 2008 financial statements of the General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, and Cemetery Funds due to the township declining to make adjustments this audit period for improper postings. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001, described in the accompanying schedule of findings and responses to be a material weakness.

We also noted certain internal control deficiencies not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 14, 2010.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2009-001 through 2009-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 14, 2010.

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

We intend this report solely for the information and use of the Township's management and the Board of Trustees. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
May 14, 2010

**NEWTON TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

FINDING NUMBER 2009-001

Material Weakness/Non-compliance, Ohio Administrative Code Section 117-2-02A directs all public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, and analyze, classify, record and report its transactions, maintain accountability for the related assets, and prepare financial statements required by t Rule 117-2-03 of the OAC. OAC Section 117-2-02D allows the records to be maintained manually or in a computerized format and requires the following: 1) Cash journal with the amount, date, receipts number, check number , account code and any other information necessary to properly classify the transaction; 2) Receipts ledger to assemble and classify receipts into separate accounts for each type of receipt of each fund consisting of the amount, date, name of the payer, purpose, receipt number rand other information necessary to record the transaction on this ledger, and; 3) Appropriation ledger to assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriations resolution The amount, date, fund, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursements, uncommitted balance of appropriations and any other information required may be inter in the appropriate columns

Several receipt and disbursement transactions were incorrectly posted to the proper fund and/or account in both 2009 and 2008. This did no tallow the Fiscal Officer to accurately reflect the financial transactions for the Township.

The fact that the posting errors resulting in reclassification and adjusting entries occurred indicates a significant deficiency in the internal controls of financial record keeping and reporting and resulted in the inaccurate reflection of the receipts and disbursements of the Township for 2009 and 2008.

We recommend the Fiscal Officer review the requirements of OAC Section 117-2-02 and the description of the accounts in the UAN Manual and the Township Handbook to maintain the receipt ledger in the manner prescribed therein.

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 2009-002

Non-Compliance

Ohio Revised Code Section 505.24(C) sets forth the method by which Township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036. This section requires that compensation of a Township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time and indicate the funds to be charged based on this documentation, then no part of salaries may be paid from these other funds. The requirements of Ohio Revised Code Section 505.24(C) were noted in the Newton Township Management Letter for the audit conducted for years ending December 31, 2005 and 2004.

Tor 2009 and 2008, the salaries of the Township Trustees were paid from the General fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, and Road and Bridge Fund. The Township Trustees did not keep records documenting their time spent on Township business, the type of services performed and the corresponding allocation of time to those funds. Trustee's salaries are to be paid from the General Fund unless administrative procedures are established to document the proportionate amount of Trustees' salaries chargeable to othet township funds.

**NEWTON TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(Continued)**

FINDING NUMBER 2009-002 (Continued)

We recommend the Township adopt formal administrative procedures regarding documenting the time spent by Township Trustee's on various duties. Once these administrative procedures are established, trustee salaries and related benefits should be charged to the applicable funds in accordance with the timesheets or other similar method of record keeping.

Client Response: The Township will implement administrative procedures to permit Trustee salaries to be paid from other Township funds.

FINDING NUMBER 2009-003

Non-Compliance

Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

Upon comparison of appropriations to available resources (defined as unencumbered beginning balance + estimated receipts), the auditor noted 2009 appropriations were in excess of available resources in the Gasoline Tax Fund by \$25,488.

The Township should implement monitoring procedures to ensure compliance with 5705.36(A)(4). Establishment of procedures for monitoring the compliance with this requirement helps to ensure that monies are not expended in excess of allowable limits.

Client Response: The Township will implement procedures to monitor actual resources and secure reduced amended certificates and corresponding reductions in appropriations when required.

FINDING NUMBER 2009-004

Non-Compliance

Ohio Revised Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated resources.

In 2009, appropriations exceeded estimated resources in the Gasoline Tax Fund by \$23,164.

The Township should make every effort to comply with Ohio Revised Code Section 5705.39. Compliance will help ensure that the Township stays within its budget.

Client Response: The Township will implement procedures to ensure that appropriations do not exceed available resources.

**NEWTON TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(Continued)**

FINDING NUMBER 2009-005

Non-Compliance

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

Upon comparison of appropriations to expenditures, we noted expenditures exceeded appropriations at the legal of control in all funds for 2008 as the Township did not certify its appropriations with the county auditor resulting in \$0 appropriations for all funds. During 2009, expenditures exceeded appropriations in the Motor Vehicle License Tax, Road and Bridge, and Fire Funds.

The Township should implement monitoring procedures to ensure appropriations are properly filed with the County Auditor and expenditures do not exceed appropriations at the legal level of control.

Client Response:

The Township will file appropriations with the County Auditor.

**NEWTON TOWNSHIP
PIKE COUNTY
DECEMBER 31, 2009 AND 2008**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	Finding for Recovery – severance pay overpayment	Yes	
2007-002	ORC Section 5705.41(D) Fiscal Officer’s certification of available funds for disbursement.	Yes	
2007-003	ORC Section 5705.41(B) Disbursements exceeding appropriations.	No	Reissued as 2009-005
2007-004	ORC Section 505.24 (C) Trustee method of payment	No	Reissued as 2009-002
2007-005	Material Weakness – maintenance of sufficient accounting records	No	Reissued as 2009-001



Mary Taylor, CPA
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 23, 2010**