



Dave Yost • Auditor of State

**NEWTON TOWNSHIP
TRUMBULL COUNTY**

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Dave Yost • Auditor of State

Newton Township
Trumbull County
P.O. Box 298
Newton Falls, Ohio 44444

To the Board of Trustees:

We have selectively tested certain accounts, financial records, files, and reports of Newton Township, Trumbull County, Ohio, (the Township) as of and for the years ended December 31, 2011 and 2010 following Ohio Admin. Code Section 117-4-02.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

May 8, 2013

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**NEWTON TOWNSHIP
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$49,004	\$158,086	\$207,090
Licenses, Permits, and Fees	6,041	39,269	45,310
Intergovernmental	105,206	113,880	219,086
Franchise Fees	20,579		20,579
Earnings on Investments	74		74
Miscellaneous	41,466		41,466
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	222,370	311,235	533,605
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	229,289		229,289
Public Safety		90,765	90,765
Public Works		187,154	187,154
Health		66,632	66,632
Debt Service:			
Redemption of Principal		8,641	8,641
Interest and Other Fiscal Charges		488	488
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	229,289	353,680	582,969
	<hr/>	<hr/>	<hr/>
Total Receipts Under Disbursements	(6,919)	(42,445)	(49,364)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	99,386	59,213	158,599
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$92,467</u>	<u>\$16,768</u>	<u>\$109,235</u>

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

NEWTON TOWNSHIP
TRUMBULL COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Fiduciary Fund Types</u>
	<u>Agency</u>
Operating Cash Receipts:	
Miscellaneous	<u>\$20,002</u>
Total Operating Cash Receipts	<u>20,002</u>
Operating Cash Disbursements:	
Employee Fringe Benefits	<u>16,061</u>
Total Operating Cash Disbursements	<u>16,061</u>
Net Receipts Over Disbursements	3,941
Fund Cash Balances, January 1	<u>12,945</u>
Fund Cash Balances, December 31	<u><u>\$16,886</u></u>

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

**NEWTON TOWNSHIP
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$63,939	\$155,901	\$219,840
Licenses, Permits, and Fees	5,241	32,280	37,521
Intergovernmental	199,430	179,654	379,084
Franchise Fees	27,593		27,593
Earnings on Investments	99		99
Miscellaneous	2,006	365	2,371
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	298,308	368,200	666,508
Cash Disbursements:			
Current:			
General Government	241,330		241,330
Public Safety		112,058	112,058
Public Works		243,445	243,445
Health		81,509	81,509
Debt Service:			
Redemption of Principal		26,806	26,806
Interest and Other Fiscal Charges		1,995	1,995
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	241,330	465,813	707,143
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	56,978	(97,613)	(40,635)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	42,408	156,826	199,234
Fund Cash Balances, December 31	<hr/> \$99,386 <hr/>	<hr/> \$59,213 <hr/>	<hr/> \$158,599 <hr/>

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

NEWTON TOWNSHIP
TRUMBULL COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Fiduciary Fund Types</u>
	<u>Agency</u>
Operating Cash Receipts:	
Miscellaneous	\$22,652
Total Operating Cash Receipts	22,652
Operating Cash Disbursements:	
Employee Fringe Benefits	9,707
Total Operating Cash Disbursements	9,707
Net Receipts Over Disbursements	12,945
Fund Cash Balances, January 1	0
Fund Cash Balances, December 31	<u><u>\$12,945</u></u>

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

**NEWTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 the Newton Township, Trumbull 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, fire protection and emergency medical services. The Township contracts with the Trumbull County Sheriff to provide police protection.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 6 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.

B. Accounting Basis

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

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

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificate of deposits at cost.

D. 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 Funds:

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**NEWTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

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

Police Special Levy Fund – This Fund receives property tax money to pay for police protection within the Township.

Motor Vehicle License Tax Fund - This fund receives tax monies for constructing, maintaining, and repairing Township roads

Permissive Motor Vehicle License Tax – This fund receives tax monies for constructing, maintaining, and repairing Township roads.

3. Fiduciary Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for health care.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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. The Township did not use the encumbrance method of accounting.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**NEWTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Property, Plant, and Equipment

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

G. 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 Deposits and Investments

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

	2011	2010
Demand deposits	\$92,908	\$138,331
Certificates of deposit	33,213	33,213
Total deposits	126,121	171,544

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

3. Budgetary Activity

Budgetary activity for the years ending 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$222,370	\$222,370
Special Revenue	0	311,235	311,235
Total	\$0	\$533,605	\$533,605

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$229,289	(\$229,289)
Special Revenue	0	353,680	(353,680)
Total	\$0	\$582,969	(\$582,969)

**NEWTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$298,308	\$298,308
Special Revenue	0	368,200	368,200
Total	\$0	\$666,508	\$666,508

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$241,330	(\$241,330)
Special Revenue	0	465,813	(465,813)
Total	\$0	\$707,143	(\$707,143)

The Township failed to comply with the State of Ohio tax budget laws. Estimated resources were not certified with the County Budget Commission, annual appropriations were not adopted by the Board of Trustees or certified to the County Auditor, and expenditures were made without appropriations. Also, the Township Fiscal Officer did not certify the availability of funds prior to incurring obligations or commitments. And the Township had deficit fund balances in several funds.

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 the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

5. Retirement Systems

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>PERS – Local</i>	<i>2008 - 2011</i>	<i>10%</i>	<i>14%</i>

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**NEWTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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.

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, 2011 and 2010 (the latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	<u>(9,718,792)</u>	<u>(10,664,724)</u>
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$7,588.

**NEWTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Risk Management (Continued)

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.

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$10,254	\$8,753

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.

7. Legal Compliance

Contrary to Ohio Revised Code Section 117.38, the Township did not file its 2011 and 2010 annual financial reports with the Auditor of State within 60 days of the fiscal year end.

8. Subsequent Events

On October 9, 2012, the Township was placed into Fiscal Caution by the Local Government Services division of the Auditor of State's office.



Dave Yost • Auditor of State

ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Newton Township
Trumbull County
P.O. Box 298
Newton Falls, Ohio 44444

To the Board of Trustees:

We have selectively tested certain accounts, financial records, files, and reports of Newton Township, Trumbull County, Ohio, (the Township) as of and for the years ended December 31, 2011 and 2010, following Ohio Admin. Code Section 117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

Internal Control Over Financial Reporting

During our procedures related to the internal control over financial reporting we noted matters that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the Schedule of Findings as items 2011-001 through 2011-004 and 2011-007.

Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contract, and grant agreements, applicable to the Township. Noncompliance with these requirements could impact the Township's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying Schedule of Findings as items 2011-001 through 2011-006.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated May 8, 2013.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

May 8, 2013

**NEWTON TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

1. Timely Deposit of Monies

<i>Finding Number</i>	2011-001
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NONCOMPLIANCE

Ohio Revised Code 9.38, as amended by House Bill 220, requires a public official to deposit all public money received by the official with a properly designated depository on the next business day following the day of receipt, if the total amount of such monies received exceeds \$1,000.

If the total amount does not exceed \$1,000, the public official has the option of either depositing the money on the next business day following the day of receipt or adopting a policy permitting a different time period. The alternate time period, however, shall not exceed three business days following the day of receipt. Further, the policy must include procedures to safeguard the monies until the time of the deposit.

The Fiscal Officer did not deposit monies with the Township's bank depository timely. We noted 5 checks received from the Trumbull County Auditor between March 4, 2010 and December 2, 2011 totaling \$27,799.21 that were not deposited until March of 2012. These monies were not posted to the Township's accounting system until March of 2012.

We recommend that all monies collected in excess of \$1,000 be deposited once every twenty-four hours to comply with Ohio Rev. Code 9.38. Additionally, the Township could adopt a policy to allow the receipt of monies less than \$1,000 to be deposited within three business days, provided the Township complies with all applicable provisions.

2. Filing of Annual Report

<i>Finding Number</i>	2011-002
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NONCOMPLIANCE

Ohio Revised Code Section 117.38 states that the Township must file annual reports with the Auditor of State within 60 days of the fiscal year end. These reports must be filed on forms prescribed by the Auditor of State. Any public office which does not file the reports by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars.

The annual financial reports shall contain the amount of: (1) receipts, and amounts due from each source; (2) expenditures for each purpose; (3) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (4) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish a notice in a local newspaper stating that the financial reports are available for public inspection at the office of the chief fiscal officer.

**Finding Number 2011- 002
 (Continued)**

The Township failed to prepare and file its 2011 and 2010 annual financial reports with the Auditor of State by the required date. Both years were filed on September 21, 2012 by Local Government Services after they reconstructed the Township's records.

We recommend the Township institute procedures and controls to ensure that required annual financial reports are prepared and filed in a timely manner.

3. Certification of Availability of Funds

<i>Finding Number</i>	2011-003
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NONCOMPLIANCE

Certification of Availability of Funds

Ohio Revised Code Section 5705.41(D) (1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts or orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are : "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

Then and Now Certificate: If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from receipt of the "then and now" certificate to approve payment by resolution or ordinance.

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

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

**Finding Number 2011- 003
 (Continued)**

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

The Fiscal Officer did not obtain certification of available funds prior to incurring obligations for 100% of the expenditures and there was no evidence of a “then and now” certificate being used by the Fiscal Officer. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification in the form of purchase orders or “blanket” purchase orders is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over the disbursement process and reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to a commitment of an obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend the Township certify purchases to which section 5705.41 (D) applies. The Fiscal Officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

4. Noncompliance with Budgetary Laws

<i>Finding Number</i>	2011-004
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The budgetary process is a plan for the coordination of expenditures and resources. Ohio Rev. Code Chapter 5705 has been adopted to control expenditures by means of tax budgets and appropriations.

Ohio Rev. Code Section 5705.36 requires each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the county auditor before October 1st, unless a later date is approved by the tax commissioner. The Township did not certify tax Levies for both FY 2011 and FY 2010.

Ohio Rev. Code Section 5705.36 requires that on or about January 1 of each year, the fiscal officer is to certify to the county auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that exist at the end of the preceding year. Based upon this information and estimates provided by the Township’s management and County Auditor, the County Budget Commission shall certify the estimated receipts for the year by means of a certificate of estimated resources.

Ohio Rev. Code Section 5705.38 provides, in part, that on the first day of each fiscal year, an appropriation measure is to be passed by the board of trustees. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

**Finding Number 2011- 004
 (Continued)**

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources. An appropriation measure is not effective until the county auditor certifies that appropriations from each fund do not exceed the total official estimate approved by the county budget commission.

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

For the years ended December 31, 2011 and 2010, the Township did not certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that exist at the end of the preceding year. As a result, the County Budget Commission was unable to certify the Township's estimated receipts. Additionally, the Township did not pass appropriation measures for 2011 and 2010. As expenditures are limited by the appropriations established by each fund, all expenditures made by the Township in these years were not in compliance with the Ohio Revised Code. The Township expended \$582,969 during 2011 and \$707,143 during 2010.

Noncompliance with budgetary laws makes it impossible for the Township to monitor its available resources by comparing the estimated receipts with the actual receipts. Without obtaining an amended certificate of estimated resources from the County Budget Commission and adopting appropriations, the Township cannot ensure there will be sufficient available resources for any orders or contracts involving the expenditure of money.

We recommend the Fiscal Officer provide the Board of Trustees monthly reports comparing the estimated and actual receipts and expenditures. The Board should review the reports and enact legislation as necessary to comply with Ohio law governing tax budgets and appropriations. The Fiscal Officer should deny payment requests lacking sufficient available appropriations.

5. Improper Debt

<i>Finding Number</i>	2011-005
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Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Section 133.22 allows a subdivision to issue anticipatory securities; Section 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision; Section 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct; and Section 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

During the audit period, the Township had a signed promissory note with a bank for the purchase of a back hoe and a signed a commercial bank loan with a bank for the purchase of a truck. Due to the fact this debt is a promissory note and a commercial loan between a banking institution and the Township, the note and loan do not meet the requirements set forth in Ohio Revised Code Chapter 133.

We recommend the Township only incur debt in the forms allowed by the Ohio Revised Code Sections above.

6. Deficit Fund Balances

<i>Finding Number</i>	2011-006
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Ohio Rev. Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which the fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover expenses of another fund.

Due to misallocation of certain receipts and expenditures, cash adjustments have been posted to the accounting records and are reflected in the accompanying financial statements. The effect of the adjustments were deficit balances in the Cemetery Fund of \$43,982 at December 31, 2010 and \$71,345 at December 31, 2011, and the Fire District Fund \$38,190 at December 31, 2010 and \$73,320 at December 31, 2011.

The Fiscal Officer should continuously monitor fund balances. Township Officials should be notified of an impending deficit and consider all options available to help avoid such an occurrence.

7. Accounting System not Reconciled with Bank Balances

<i>Finding Number</i>	2011-007
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A necessary step in the internal control over financial reporting is to reconcile the bank balance to the accounting record's cash balance each month. Bank reconciliation means accounting for the differences between the balance of the bank statement(s) and the cash and investment balances per the Township's records.

Throughout 2011 and 2010, the Township was unable to reconcile the book balance to the bank balance. This resulted from a number of errors, such as numerous voided checks on the system, not posting receipt and disbursement transactions in the Township ledgers, not posting timely, not depositing timely, and misspostings between funds. As a result of these various errors, the Auditor of State's Local Government Services Division was hired to help assist the Township.

Upon conclusion of the reconciliations being performed, the Township's books were understated at year ended by \$16,421. The following fund balance adjustments were necessary:

Fund	Amount
General	(62,768)
Motor Vehicle License Tax	22,129
Gasoline Tax	(22,507)
Road & Bridge	40,836
Cemetery	(155)
Police District	27,456
Fire District	4,324
Zoning	100
Permissive Motor Vehicle License	7,006
	16,421

The adjustments were posted to the Township's accounting system and to the accompanying financial statements.

We recommend the Township implement procedures to help ensure that bank statements are reconciled to the Township's books in a timely manner. We further recommend that the bank reconciliations be presented to the Board of Trustees for their review and approval.

Official's Response: No responses provided.

**NEWTON TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	The Township did not comply with the tax budget laws mandated by Chapter 5705 of the Ohio Revised Code.	No	Repeated as Finding 2011-001
2009-002	Violation of Ohio Revised Code Section 5705.41 (D) for failure to certify availability of funds prior to incurring obligations or expenditure of money.	No	Repeated as Finding 2011-003
2009-003	Violation of Ohio Revised Code Section 117.38 for failure to file annual reports with Auditor of State.	No	Repeated as Finding 2001-002

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Dave Yost • Auditor of State

NEWTON TOWNSHIP

TRUMBULL 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
AUGUST 8, 2013**