



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, 2011 and 2010
Fiscal Years Audited Under GAGAS: 2011 and 2010



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, 2010 through December 31, 2011. 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.

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 "Dave Yost".

Dave Yost
Auditor of State

September 17, 2012

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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, 2011 and December 31, 2010. 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 paragraph six, 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 audit provides a reasonable basis for our opinion.

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

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 townships 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 third following paragraph.

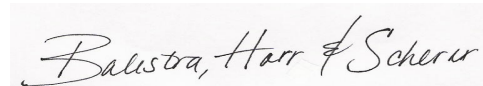
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

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.

Also, in our opinion, except for the effects of such adjustments 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 as of December 31, 2011 and 2010 of Newton Township, Pike County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2012, 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.

As described in Note 9 to the financial statements, during 2011 the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.



Balestra, Harr & Scherer, CPAs, Inc.
June 22, 2012

**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, 2011**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 17,519	\$ 38,337	\$ 55,856
Intergovernmental	33,485	101,054	134,539
Earnings on Investments	147	33	180
Miscellaneous	71	-	71
	<u>51,222</u>	<u>139,424</u>	<u>190,646</u>
Total Cash Receipts			
	<u>51,222</u>	<u>139,424</u>	<u>190,646</u>
Cash Disbursements:			
Current:			
General Government	56,088	30,026	86,114
Public Safety	-	22,200	22,200
Public Works	-	69,220	69,220
Health	-	1,537	1,537
Capital Outlay	-	23,620	23,620
Debt Service:			
Redemption of Principal	-	25,063	25,063
Interest and Fiscal Charges	-	1,406	1,406
	<u>56,088</u>	<u>173,072</u>	<u>229,160</u>
Total Cash Disbursements			
	<u>56,088</u>	<u>173,072</u>	<u>229,160</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(4,866)	(33,648)	(38,514)
Other Financing Receipts (Disbursements):			
Sale of Notes	-	24,183	24,183
	<u>-</u>	<u>24,183</u>	<u>24,183</u>
Net Change in Fund Cash Balances	(4,866)	(9,465)	(14,331)
Fund Cash Balances, January 1	<u>27,854</u>	<u>107,328</u>	<u>135,182</u>
Fund Cash Balances, December 31			
Restricted	-	97,863	97,863
Unassigned	22,988	-	22,988
	<u>22,988</u>	<u>-</u>	<u>22,988</u>
Total Fund Cash Balances, December 31	<u>\$ 22,988</u>	<u>\$ 97,863</u>	<u>\$ 120,851</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, 2010**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 17,415	\$ 37,947	\$ 55,362
Intergovernmental	31,677	95,027	126,704
Earnings on Investments	104	18	122
Miscellaneous	98	393	491
	<u>49,294</u>	<u>133,385</u>	<u>182,679</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	52,056	41,428	93,484
Public Safety	-	22,553	22,553
Public Works	-	55,986	55,986
Health	-	3,545	3,545
Debt Service:			
Redemption of Principal	-	40,063	40,063
Interest and Fiscal Charges	-	1,614	1,614
	<u>52,056</u>	<u>165,189</u>	<u>217,245</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	(2,762)	(31,804)	(34,566)
Other Financing Receipts (Disbursements):			
Sale of Notes	-	25,063	25,063
	<u>-</u>	<u>25,063</u>	<u>25,063</u>
Net Change in Fund Cash Balances	(2,762)	(6,741)	(9,503)
Fund Cash Balances, January 1 (as Restated - Note 8)	<u>30,616</u>	<u>114,069</u>	<u>144,685</u>
Fund Cash Balances, December 31	<u><u>\$ 27,854</u></u>	<u><u>\$ 107,328</u></u>	<u><u>\$ 135,182</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, 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 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, 2011 AND 2010
(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 2011 and 2010 budgetary activity appears in Note 3.

E. Fund Balance

For December 31, 2011, 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, 2011 AND 2010
(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>2011</u>	<u>2010</u>
Demand deposits	\$120,851	\$135,182

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, 2011 AND 2010
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 as follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 46,696	\$ 51,222	\$ 4,526
Special Revenue	175,389	163,607	(11,782)
Total	<u>\$ 222,085</u>	<u>\$ 214,829</u>	<u>\$ (7,256)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 52,683	\$ 56,088	\$ (3,405)
Special Revenue	171,463	173,072	(1,609)
Total	<u>\$ 224,146</u>	<u>\$ 229,160</u>	<u>\$ (5,014)</u>

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 40,611	\$ 49,294	\$ 8,683
Special Revenue	169,697	158,448	(11,249)
Total	<u>\$ 210,308</u>	<u>\$ 207,742</u>	<u>\$ (2,566)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 53,533	\$ 52,056	\$ 1,477
Special Revenue	178,833	165,189	13,644
Total	<u>\$ 232,366</u>	<u>\$ 217,245</u>	<u>\$ 15,121</u>

Contrary to ORC Section 5705.41(B), actual expenditures exceeded appropriations at December 31, 2011 in the General Fund, Cemetery Fund, and Fire Fund by \$3,405, \$4,769, and \$10,945, respectively. In addition, the Township failed to certify the availability of funds prior to obligation, contrary to ORC Section 5705.41(D).

**NEWTON TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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, 2011 was as follows:

	Principal	Interest
2006 Truck Loan	\$ 15,063	3.90%
2011 Truck Loan	9,120	4.25%
	\$ 24,183	

The Township purchased a truck in 2006 and again in 2011, both through a third-party financing company, to be used for maintenance of Township roads. The original note for the 2006 truck loan was for \$95,029 with an interest rate of 3.9%. This note is a one year note renewable up to six years with the entire principal balance being due each year. The original note for the 2011 truck loan was for \$9,120 with an interest rate of 4.25%. This note is a one year note renewable up to two years with the entire principal balance being due each year.

Amortization of the above debt, including interest of \$975 is scheduled as follows:

	2006 Truck Loan	2011 Truck Loan
Year Ending December 31:		
2012	\$ 15,650	\$ 9,508
	\$ 15,650	\$ 9,508

**NEWTON TOWNSHIP
PIKE COUNTY**

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

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. 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, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

**NEWTON TOWNSHIP
PIKE COUNTY**

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

7. Risk Management (Continued)

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, 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		
2009	\$	1,948
2010	\$	2,434
2011	\$	2,945

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.

8. Restatement of Fund Balances

The Township's fund cash balances at January 1, 2010 have been restated for partial repayment from the General Fund to the Motor Vehicle License Tax and Road and Bridge Funds for a Finding for Adjustment from the audit of fiscal years 2009 and 2008. These adjustments were made during fiscal year 2010. These adjustments resulted in the following changes in fund balances at January 1, 2010:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Fund Balance at December 31, 2009 as Previously Reported	\$ 38,784	\$ 105,901
Restatement of Fund Balance	(8,168)	8,168
Fund Balance at January 1, 2010 as Restated	<u>\$ 30,616</u>	<u>\$ 114,069</u>

**NEWTON TOWNSHIP
PIKE COUNTY**

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

9. Change in Accounting Principle and Fund Balances

For fiscal year 2011, 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, 2011 are presented as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Restricted For:			
Cemetery Operations	\$ -	\$ 8,260	\$ 8,260
Fire Operations	-	49,692	49,692
Road and Bridge Maintenance	-	39,911	39,911
Total Restricted	<u>-</u>	<u>97,863</u>	<u>97,863</u>
Unassigned	<u>22,988</u>	<u>-</u>	<u>22,988</u>
Total Fund Balances	<u>\$ 22,988</u>	<u>\$ 97,863</u>	<u>\$ 120,851</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 the financial statements of Newton Township, Pike County (the Township), as of and for the years ended December 31, 2011 and December 31, 2010, and have issued our report thereon dated June 22, 2012 wherein we noted that the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America, wherein we qualified our opinion on the 2011 and 2010 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, and wherein we noted the Township implemented GASB Statement No. 54 for the year ended December 31, 2011. 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 opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal controls 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 deficiencies, 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 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

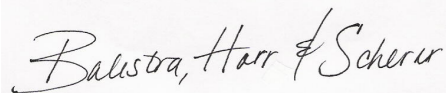
Compliance and Other Matters

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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001 through 2011-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 22, 2012.

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.

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.



Balestra, Harr & Scherer, CPAs, Inc.
June 22, 2012

**NEWTON TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

FINDING NUMBER 2011-001

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 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 and 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 entered in the appropriate columns.

Several receipt and disbursement transactions were posted to the incorrect fund and/or account in both 2011 and 2010. This caused the receipts and disbursements presented in the financial report of the Township to be materially misstated. Several audit adjustments were made to the financial statements to correct the identified errors.

The Fiscal Officer should 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 2011-002

Material Non-Compliance

Ohio Rev. Code, Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances.

This section also provides two “exceptions” to the above requirements:

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

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

**NEWTON TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

FINDING NUMBER 2011-002 – (continued)

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

Multiple expenditures were not properly encumbered prior to orders/contracts being made. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

The Township should certify purchases to which 5705.41 (D) applies. The Township should generate a purchase order for all expenditures before placing an order. If a purchase must be made in an emergency, the purchase order should be documented with a “Then and Now” certificate. A copy of the purchase order should be attached to all voucher packets for proper documentation.

Client Response:

The Fiscal Officer will attempt to correct and monitor more closely.

FINDING NUMBER 2011-003

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 in the General, Cemetery, and Fire funds for 2011 by \$3,405, \$4,769, and \$10,945, respectively.

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 PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED 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	Material Weakness/Non-compliance OAC Section 117-2-02A; Accounting system and accounting records	No	Reissued as 2011-001
2009-002	FFA/ Material Weakness ORC Section 505.24(C); Trustees' compensation	Partially Corrected	Partially corrected: the Township is requiring documentation for trustees pay allocation; however, the prior audit Finding for Adjustment has not been fully adjusted as of December 31, 2011
2009-003	ORC Section 5705.36(A)(4); Appropriations exceeded available resources	Yes	
2009-004	ORC Section 5705.39: Appropriations in excess of estimated resources	Yes	
2009-005	ORC 5705.41(B); Expenditures in excess of appropriations	No	Reissued as 2011-003

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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
OCTOBER 2, 2012**