



Dave Yost • Auditor of State

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Newton Township
Muskingum County
4425 Baughman Run Road
Roseville, Ohio 43777

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Newton Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Newton Township, Muskingum County, Ohio, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

November 25, 2013

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$47,841	\$540,421	\$50,764	\$639,026
Charges for Services		158,743		158,743
Intergovernmental	35,556	123,486		159,042
Special Assessments		31,217		31,217
Earnings on Investments	938	59		997
Miscellaneous	14,050	25,514		39,564
<i>Total Cash Receipts</i>	<u>98,385</u>	<u>879,440</u>	<u>50,764</u>	<u>1,028,589</u>
Cash Disbursements				
Current:				
General Government	103,170	150,380		253,550
Public Safety		184,811		184,811
Public Works		221,190		221,190
Health	3,449			3,449
Capital Outlay	2,463	113,762		116,225
Debt Service:				
Principal Retirement			25,000	25,000
Interest and Fiscal Charges			24,700	24,700
<i>Total Cash Disbursements</i>	<u>109,082</u>	<u>670,143</u>	<u>49,700</u>	<u>828,925</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(10,697)	209,297	1,064	199,664
<i>Fund Cash Balances, January 1</i>	<u>238,603</u>	<u>328,820</u>	<u>3,094</u>	<u>570,517</u>
Fund Cash Balances, December 31				
Nonspendable				0
Restricted		495,491		495,491
Committed			4,158	4,158
Assigned		42,626		42,626
Unassigned (Deficit)	227,906			227,906
<i>Fund Cash Balances, December 31</i>	<u>\$227,906</u>	<u>\$538,117</u>	<u>\$4,158</u>	<u>\$770,181</u>

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

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$41,239	\$346,701	\$144,470		\$532,410
Charges for Services		155,558			155,558
Intergovernmental	78,516	210,124			288,640
Special Assessments		31,613			31,613
Earnings on Investments	471	23			494
Miscellaneous	10,209	11,061			21,270
<i>Total Cash Receipts</i>	<u>130,435</u>	<u>755,080</u>	<u>144,470</u>	<u>\$0</u>	<u>1,029,985</u>
Cash Disbursements					
Current:					
General Government	105,936	139,382			245,318
Public Safety		199,094			199,094
Public Works		287,609			287,609
Health	2,618				2,618
Capital Outlay		127,879			127,879
Debt Service:					
Principal Retirement	36,482	293,258	110,253		439,993
Interest and Fiscal Charges	312	5,865	45,887		52,064
<i>Total Cash Disbursements</i>	<u>145,348</u>	<u>1,053,087</u>	<u>156,140</u>	<u>0</u>	<u>1,354,575</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(14,913)</u>	<u>(298,007)</u>	<u>(11,670)</u>	<u>0</u>	<u>(324,590)</u>
Other Financing Receipts (Disbursements)					
Transfers In		354,398	10,800		365,198
Transfers Out		(14,839)	(359)	(350,000)	(365,198)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>339,559</u>	<u>10,441</u>	<u>(350,000)</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(14,913)</u>	<u>41,552</u>	<u>(1,229)</u>	<u>(350,000)</u>	<u>(324,590)</u>
<i>Fund Cash Balances, January 1</i>	<u>253,516</u>	<u>287,268</u>	<u>4,323</u>	<u>350,000</u>	<u>895,107</u>
Fund Cash Balances, December 31					
Nonspendable					0
Restricted		292,328			292,328
Committed			3,094		3,094
Assigned		36,492			36,492
Unassigned (Deficit)	238,603				238,603
<i>Fund Cash Balances, December 31</i>	<u>\$238,603</u>	<u>\$328,820</u>	<u>\$3,094</u>	<u>\$0</u>	<u>\$570,517</u>

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

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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, Muskingum 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 participates in the Ohio Township Association Risk Management Authority (OTARMA), public entity risk pool and the Zanesville-Newton Township Joint Economic Development District (JEDD), a joint venture. Notes 7 and 8 to the financial statements provides additional information for these entities.

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. Fund Accounting

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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 for constructing, maintaining, and repairing Township roads.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Fire Special Levy Fund - This fund receives property tax money to provide fire and emergency medical services for the Township.

Ambulance and Emergency Medical Services Fund - This fund receives charges for service for emergency medical services by the Township.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Miscellaneous Debt Service Fund - This fund receives property tax money to make debt payments on the fire station lease-purchase agreement.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

Miscellaneous Capital Projects Fund - This fund received transfers of money over the past several years from the Fire Special Levy Fund to accumulate monies for the purchase of a ladder truck for the Township Fire Department. This money was transferred back to the Fire Special Levy Fund since the Township issued debt in a previous period to purchase the ladder truck.

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.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (Continued)

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 reappropriated in the subsequent year.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

E. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

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.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance (Continued)

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 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

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

	<u>2012</u>	<u>2011</u>
Demand deposits	<u>\$770,181</u>	<u>\$570,517</u>

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,427	\$98,385	\$35,958
Special Revenue	846,359	879,440	33,081
Debt Service	47,355	50,764	3,409
Total	\$956,141	\$1,028,589	\$72,448

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$267,500	\$109,082	\$158,418
Special Revenue	1,034,080	670,143	363,937
Debt Service	49,700	49,700	0
Total	\$1,351,280	\$828,925	\$522,355

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$135,515	\$130,435	(\$5,080)
Special Revenue	720,726	1,109,478	388,752
Debt Service	151,817	155,270	3,453
Total	\$1,008,058	\$1,395,183	\$387,125

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$375,672	\$145,348	\$230,324
Special Revenue	1,009,657	1,067,926	(58,269)
Debt Service	156,140	156,499	(359)
Capital Projects	350,000	350,000	0
Total	\$1,891,469	\$1,719,773	\$171,696

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority at the legal level of control in the General, Road and Bridge, and Fire Special Levy Funds for the year ended December 31, 2012 and the Fire Special Levy, Ambulance and Emergency Medical Services, and FEMA Funds for the year ended December 31, 2011.

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.

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, 2012 was as follows:

	Principal	Interest Rate
Fire Station Lease-Purchase Agreement	\$405,000	6.25%
Total	\$405,000	

The Township entered into a lease-purchase agreement to finance the construction of a fire station in 2004. The Township's taxing authority collateralized the lease.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Debt (Continued)

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

Year ending December 31:	Fire Station Lease
2013	\$49,263
2014	53,075
2015	51,650
2016	50,000
2017	53,350
2018-2022	257,050
2023-2024	98,925
Total	<u>\$613,313</u>

6. Retirement System

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 plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10%, respectively, 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, 2012.

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

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

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

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

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

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$19,000.

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.

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
\$32,044	\$32,128

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. Joint Venture

The Zanesville-Newton Township Joint Economic Development District (JEDD) was created during 2002 pursuant to Ohio Revised Code Section 715.77. The JEDD was created to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State, County, City, Village, Township and the JEDD. The JEDD is operated by a three member board. The Township and the City of Zanesville each appoint one member and these two JEDD members jointly appoint the third member of the JEDD.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Joint Venture (Continued)

The JEDD's board exercises total control over the budgeting, appropriation, contracting, and management. The JEDD's board, pursuant to Section 715.74, has implemented a 1.7 percent income tax that will be used for the purposes of the JEDD. The continued existence of the JEDD is dependent upon the continued participation by the City of Zanesville and the Township; however, the City or Township does not have an equity interest in the JEDD. The JEDD is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial burden on the Township. The financial activity of the JEDD is presented as an agency fund on the City of Zanesville's financial statements due to the City serving as fiscal agent. Complete financial information can be obtained from the Zanesville-Newton Township Joint Economic Development District, Zanesville, Ohio.

9. Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Newton Township
Muskingum County
4425 Baughman Run Road
Roseville, Ohio 43777

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Newton Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2013, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted the Township has adopted Governmental Accounting Standards Board Statement No. 54.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-004 and 2012-005 described in the accompanying Schedule of Findings to be material weaknesses.

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Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2012-001 through 2012-004.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

November 25, 2013

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-001

Noncompliance

Ohio Rev. Code Section 5705.10 states that all revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund. All revenue derived from general or special levies for debt charges, whether within or in excess of the ten-mill limitation, which is levied for the debt charges on serial bonds, notes, or certificates of indebtedness having a life less than five years, shall be paid into the bond retirement fund; and all such revenue which is levied for the debt charges on all other bonds, notes, or certificates of indebtedness shall be paid into the sinking fund. All revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

During 2012, the Township deposited three tax settlement receipts entirely into the General Fund when a portion of the receipts should have been allocated to the Road and Bridge and Fire Special Levy Funds.

An adjustment was recorded in the General Fund to decrease property tax receipts in the amount of \$10,408 and increase property tax receipts in the Road and Bridge Fund and Fire Special Levy Fund in the amounts of \$3,482 and \$6,926, respectively. This adjustment was made to the financial statements and books of the Township and was agreed to by management.

We recommend the Township utilize available authoritative resources, specifically the Statement of Semiannual Apportionment of Taxes obtained from the County Auditor, to appropriately classify receipt transactions.

FINDING NUMBER 2012-002

Noncompliance

Ohio Rev. Code Section 5705.16 states that a resolution of the taxing authority of any political subdivision shall be passed by a majority of all the members thereof, declaring the necessity for the transfer of funds authorized by section 5705.15 of the Revised Code, and such taxing authority shall prepare a petition addressed to the court of common pleas of the county in which the funds are held. The petition shall set forth the name and amount of the fund, the fund to which it is desired to be transferred, a copy of such resolution with a full statement of the proceedings pertaining to its passage, and the reason or necessity for the transfer. A duplicate copy of said petition shall be forwarded to the tax commissioner for the commissioner's examination and approval.

During 2011, the Township made a transfer of \$350,000 from the Capital Project Fund to the Fire Special Levy Fund, and no approval was obtained from the Court of Common Pleas.

We recommend the Township obtain approval of the Court of Common Pleas in order to make authorized transfers of funds.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-003

Noncompliance

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

As of December 31, 2012, the following funds reflected expenditures which exceeded appropriations at the legal level of control:

Fund - Function – Object	Appropriations	Expenditures	Variance
General - Administrative -			
Salaries Trustees	\$47,028	\$47,329	(\$301)
Tax Collection Fees	3,000	3,253	(253)
Road and Bridge – Administrative			
Tax Collection Fees	6,500	7,970	(1,470)
Road and Bridge - Highways -			
Repairs and Maintenance	25,000	27,447	(2,447)
Road and Bridge - Highways -			
Small Tools and Minor Equipment	3,000	5,246	(2,246)
Fire Special Levy - Other -			
Other Salaries	5,000	7,509	(2,509)

As of December 31, 2011, the following funds reflected expenditures which exceeded appropriations at the legal level of control:

Fund - Function – Object	Appropriations	Expenditures	Variance
Fire Special Levy - Capital Outlay -			
Improvement of Sites	\$27,800	\$47,657	(\$19,857)
Fire Special Levy - Capital Outlay -			
Machinery, Equipment and Furniture	66,000	315,413	(249,413)
Ambulance and EMS – Administrative			
Salaries	4,262	9,587	(5,325)
Ambulance and EMS - Emergency			
Medical			
Services - Repairs and Maintenance	3,500	6,148	(2,648)
Ambulance and EMS - Emergency			
Medical Services - Other Expenses	15,000	17,818	(2,818)
FEMA Grant - Fire Prevention			
Other Supplies and Materials	13,435	16,052	(2,617)

The Township's failure to limit expenditures to the amounts appropriated could result in deficit spending.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-003 (Continued)

Noncompliance – Ohio Rev. Code Section 5705.41(B) (Continued)

We recommend the Township Trustees and Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Township Trustees should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

FINDING NUMBER 2012-004

Noncompliance and Material Weakness

Ohio Rev. Code Section 5705.40 states, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provisions of law as are used in making the original appropriation. In addition, Ohio courts have held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a Township Trustees would be prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations.

During 2012 and 2011, the Fiscal Officer posted line-item appropriation amendments and supplemental appropriations to several funds. These items did not have proper Board approval or County Auditor approval, where necessary.

During 2011, the Fiscal Officer did not accurately post budgeted receipts and amendments made to them to the accounting system. Variances existed between the Certificate of Estimated Resources and the amounts posted to the accounting system. The following table details these variances:

Fund – 2011	Amount Per Last Amended Certificate	Amounts Posted to the Accounting System	Variance
General	\$135,515	\$227,224	(\$91,709)
Motor Vehicle License Tax	19,950	22,298	(2,348)
Gasoline Tax	102,170	97,746	4,424
Road and Bridge	185,023	223,972	(38,949)
Fire Special Levy	246,889	619,425	(372,536)
Ambulance and EMS	117,790	142,046	(24,256)
Special Assessment Lighting	31,213	31,613	(400)
REMA Grant	17,691	18,891	(1,200)
Miscellaneous Debt Service #3901	48,543	51,638	(3,095)
Miscellaneous Debt Service #3905	12,953	13,312	(359)

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-004 (Continued)

Noncompliance and Material Weakness – Ohio Rev. Code Section 5705.40 (Continued)

During 2012 and 2011, the Fiscal Officer did not accurately post appropriations and amendments made to them to the accounting system. Variances existed between the appropriation resolution/amendments and the amounts posted to the accounting system. The following table details these variances:

Fund – 2012	Amount Per Annual Appropriation Resolution	Amounts Posted to the Accounting System	Variance
General	\$237,500	\$268,250	\$30,750
Gasoline Tax	125,000	120,000	(5,000)
Road and Bridge	305,388	321,388	16,000
Fire Special Levy	355,942	357,442	1,500
Special Assessment Light	32,750	32,400	(350)

Fund – 2011	Amount Per Annual Appropriation Resolution	Amounts Posted to the Accounting System	Variance
General	\$375,672	\$374,631	(\$1,041)
Gasoline Tax	137,957	133,369	(4,588)
Road and Bridge	254,520	264,520	10,000
Fire Special Levy	387,498	723,824	336,326
Ambulance and EMS	153,907	162,802	8,895
FEMA Grant	16,274	18,891	2,617

Because the information entered into the accounting system was not always accurate, adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present appropriations approved by the Township Trustees and only include budgeted receipts as certified by the County Auditor. These adjustments were agreed to by the Fiscal Officer.

We recommend the Township Trustees approve appropriation amendments at the legal level of control, which is the level at which the Board approves the annual appropriation measure. We also recommend that once appropriations are adopted, they should be filed with the County Auditor in order for the County Auditor to certify that appropriations do not exceed estimated resources. The Fiscal Officer should post these amendments only after obtaining the required approvals. We also recommend the Fiscal Officer record only estimated receipts from the Certificate of Estimated Resources and any amendments thereto.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
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FINDING NUMBER 2012-005

Material Weakness

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook (revised April 2013) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

During 2012 and 2011, the Township's receipts and disbursements were not always posted into accurate classifications. In addition, there were several adjustments necessary to properly reflect activity on the Township's books to reconcile cash to the bank balances. The following misclassifications and adjustments were noted:

- In 2011, debt payments in the amount of \$36,794 within the General Fund were misclassified as Capital Outlay instead of Principal and Interest.
- In 2011, debt payments in the amount of \$299,123 within the Fire Special Levy Fund were misclassified as Capital Outlay instead of Principal and Interest.
- In 2012, debt payments in the amount of \$750 within the General Fund were misclassified as General Government instead of Interest and Fiscal Charges.
- In 2012, homestead and rollback receipts in the amount of \$4,210 were posted a Property and Other Local Taxes within the General Fund instead of Intergovernmental receipts.
- In 2012, homestead and rollback receipts in the amount of \$14,308 were posted a Property and Other Local Taxes within the Road and Bridge Fund instead of Intergovernmental receipts.
- In 2012, homestead and rollback receipts in the amount of \$16,167 were posted a Property and Other Local Taxes within the Fire Special Levy Fund instead of Intergovernmental receipts.
- In 2012, within the General Fund, receipts from rent of township facilities in the amount of \$700 were posted as Intergovernmental instead of Miscellaneous receipts.
- In 2012, within the Fire Special Levy Fund, receipt from a fire contract in the amount of \$1,051 was posted as Intergovernmental instead of Charges of Service.
- In 2012, receipts were over stated within the Fire Special Levy Fund in the amount of \$2,788 from an OPERS receipt being posted twice.
- In 2012, OPERS payments in the General Fund were overstated by \$3,371.
- In 2012, federal withholdings were booked twice causing an overstatement of \$2,730 in the General Fund.
- The balance of the Special Light Assessment fund was classified as Assigned instead of Restricted fund balance in the amount of \$36,492 and \$42,626, for 2011 and 2012 respectively. In 2012, the balance of the Miscellaneous Debt Service fund was classified as Restricted instead of Committed fund balance in the amount of \$4,158.

Material reclassifications and adjustments, with which the Township officials' agree, are reflected within the accompanying financial statements. Adjustments were also posted to the Township's books.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)</p>

FINDING NUMBER 2012-005 (Continued)

Material Weakness (Continued)

We recommend the Township utilize available authoritative resources to appropriately classify receipt and disbursement transactions. We also recommend that Other Adjusting Factors included in the Township's bank reconciliations be explained in detail to show the bank balances were reconciled to the books.

Officials' Response: We did not receive a response from Officials to the findings reported above.

**NEWTON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Ohio Rev. Code Section 5705.41(B), expenditures in excess of appropriations in various funds at the legal level of control.	No	Not Corrected; Repeated in the Schedule of Findings as Finding Number 2012-003.
2010-02	Not always accurately posting receipts and disbursements to appropriate receipt and expenditure classifications.	No	Not Corrected; Repeated in the Schedule of Findings as Finding Number 2012-005.
2010-03	No always accurately posting appropriations and estimated receipts to the accounting system.	No	Not Corrected; Repeated in the Schedule of Findings as Finding Number 2012-004.
2010-04	Ohio Rev. Code Section 5705.41(D)(1), all disbursements were not properly certified.	No	Partially Corrected; Reported in the Management Letter.
2010-05	Ohio Rev. Code Section 5705.39, appropriations in excess of estimated resources.	No	Partially Corrected; Reported in the Management Letter.
2010-06	Ohio Rev. Code Section 5705.36(A)(2), appropriations in excess of beginning balance plus actual receipts.	No	Partially Corrected; Reported in the Management Letter.

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Dave Yost • Auditor of State

NEWTON TOWNSHIP

MUSKINGUM 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
DECEMBER 10, 2013**