



Dave Yost • Auditor of State

**NEWTON TOWNSHIP
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2013	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2012	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	19

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles – (Continued)

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, 2013 and 2012, 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, Trumbull County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matters

As discussed in Note 1 to the financial statements, during 2012, the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, [Fund Balance Reporting and Governmental Fund Type Definitions]. We did not modify our opinion regarding this matter. The Township is also experiencing certain financial difficulties. These conditions and management's plans to address these conditions are described in Note 7.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

June 10, 2014

**NEWTON TOWNSHIP
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$64,002	\$232,172	\$296,174
Licenses, Permits and Fees	25,794	33,864	59,658
Intergovernmental	102,561	142,976	245,537
Earnings on Investments	12	29	41
Miscellaneous	14,649	10,909	25,558
<i>Total Cash Receipts</i>	<u>207,018</u>	<u>419,950</u>	<u>626,968</u>
Cash Disbursements			
Current:			
General Government	146,224		146,224
Public Safety		373,820	373,820
<i>Total Cash Disbursements</i>	<u>146,224</u>	<u>373,820</u>	<u>520,044</u>
<i>Excess of Receipts Over Disbursements</i>	<u>60,794</u>	<u>46,130</u>	<u>106,924</u>
Other Financing Receipts (Disbursements)			
Transfers In		27,200	27,200
Transfers Out	(27,200)		(27,200)
Other Financing Uses	(400)		(400)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(27,600)</u>	<u>27,200</u>	<u>(400)</u>
<i>Net Change in Fund Cash Balances</i>	33,194	73,330	106,524
<i>Fund Cash Balances, January 1</i>	<u>121,274</u>	<u>50,275</u>	<u>171,549</u>
Fund Cash Balances, December 31			
Restricted	0	278,614	278,614
Unassigned	154,468	(155,009)	(541)
<i>Fund Cash Balances, December 31</i>	<u>\$154,468</u>	<u>\$123,605</u>	<u>\$278,073</u>

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

**NEWTON TOWNSHIP
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Internal Service</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Miscellaneous	\$15,000		\$15,000
<i>Total Operating Cash Receipts</i>	15,000	0	15,000
Operating Cash Disbursements			
Employee Fringe Benefits	18,763		18,763
<i>Total Operating Cash Disbursements</i>	18,763	0	18,763
<i>Operating Income (Loss)</i>	(3,763)	0	(3,763)
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	(3,763)	0	(3,763)
<i>Net Change in Fund Cash Balances</i>	(3,763)	0	(3,763)
<i>Fund Cash Balances, January 1</i>	6,873	3,000	9,873
<i>Fund Cash Balances, December 31</i>	<u>\$3,110</u>	<u>\$3,000</u>	<u>\$6,110</u>

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

**NEWTON TOWNSHIP
TRUMBULL COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$67,852	\$203,874	\$271,726
Licenses, Permits and Fees	29,413	25,495	54,908
Intergovernmental	108,258	172,331	280,589
Earnings on Investments	3,951		3,951
Miscellaneous	1,521	10,064	11,585
<i>Total Cash Receipts</i>	<u>210,995</u>	<u>411,764</u>	<u>622,759</u>
Cash Disbursements			
Current:			
General Government	182,188		182,188
Public Safety		378,257	378,257
<i>Total Cash Disbursements</i>	<u>182,188</u>	<u>378,257</u>	<u>560,445</u>
<i>Excess of Receipts Over Disbursements</i>	<u>28,807</u>	<u>33,507</u>	<u>62,314</u>
<i>Net Change in Fund Cash Balances</i>	28,807	33,507	62,314
<i>Fund Cash Balances, January 1</i>	<u>92,467</u>	<u>16,768</u>	<u>109,235</u>
Fund Cash Balances, December 31			
Restricted	0	235,869	235,869
Unassigned	121,274	(185,594)	(64,320)
<i>Fund Cash Balances, December 31</i>	<u>\$121,274</u>	<u>\$50,275</u>	<u>\$171,549</u>

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

**NEWTON TOWNSHIP
TRUMBULL COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Internal Service</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Miscellaneous	\$15,507	\$6,000	\$21,507
<i>Total Operating Cash Receipts</i>	<u>15,507</u>	<u>6,000</u>	<u>21,507</u>
Operating Cash Disbursements			
Employee Fringe Benefits	25,520		25,520
Other		3,000	3,000
<i>Total Operating Cash Disbursements</i>	<u>25,520</u>	<u>3,000</u>	<u>28,520</u>
<i>Operating Income (Loss)</i>	<u>(10,013)</u>	<u>3,000</u>	<u>(7,013)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(10,013)</u>	<u>3,000</u>	<u>(7,013)</u>
<i>Fund Cash Balances, January 1</i>	<u>16,886</u>	<u>0</u>	<u>16,886</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$6,873</u></u>	<u><u>\$3,000</u></u>	<u><u>\$9,873</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, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of 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 and Newton Falls Joint Fire District to provide fire and emergency medical services.

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

**NEWTON TOWNSHIP
TRUMBULL COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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 to pay for constructing, maintaining, and repairing Township roads.

3. Internal Service Fund

This fund accounts for services provided by one department to other departments of the government unit. The Township had the following Internal Service Fund:

Self-funded Insurance Medical Fund – This fund receives insurance premium payments from other funds to pay medical claims of employees enrolled in the health insurance plan.

4. 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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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 approve estimated resources.

**NEWTON TOWNSHIP
TRUMBULL COUNTY**

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

1. Summary of Significant Accounting Policies (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. The Township did not encumber all commitments required by Ohio law.

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

F. Fund Balance

Beginning in 2012, 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
TRUMBULL COUNTY**

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

1. Summary of Significant Accounting Policies (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.

G. 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.

H. 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:

	2013	2012
Demand deposits	\$184,183	\$181,422
Certificates of deposit	100,000	
Total deposits	\$284,183	\$181,422

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 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$175,697	\$207,018	\$31,321
Special Revenue	436,992	447,150	10,158
Internal Service	33,127	15,000	(18,127)
Total	\$645,816	\$669,168	\$23,352

**NEWTON TOWNSHIP
TRUMBULL COUNTY**

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

3. Budgetary Activity – (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$192,400	\$173,824	\$18,576
Special Revenue	444,487	373,820	70,667
Internal Service	40,000	18,763	21,237
Total	\$676,887	\$566,407	\$110,480

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$211,005	\$210,995	(\$10)
Special Revenue	417,325	411,764	(5,561)
Internal Service	20,000	15,507	(4,493)
Total	\$648,330	\$638,266	(\$10,064)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$198,310	\$182,188	\$16,122
Special Revenue	432,512	378,257	54,255
Internal Service	20,000	25,520	(5,520)
Total	\$650,822	\$585,965	\$64,857

Contrary to Ohio law, appropriations exceeded estimated resources in the Cemetery Fund by \$84,770 and in the Fire Fund by \$108,689 at the end of 2012 and in the Cemetery Fund by \$71,753 and in the Fire Fund by \$91,689 at the end of 2013. Contrary to Ohio law, at December 31, 2013, the Cemetery and Fire District funds had a cash deficit balance of \$64,034 and \$90,975 respectively. Also contrary to Ohio law at December 31, 2012, the Cemetery and Fire District funds had a cash deficit balance of \$78,053 and \$107,541 respectively.

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.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**NEWTON TOWNSHIP
TRUMBULL COUNTY**

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

5. Retirement Systems

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 2013 and 2012, 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, 2013.

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. 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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, 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.

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, 2013 and 2012 (the latest information available):

**NEWTON TOWNSHIP
TRUMBULL COUNTY**

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

6. Risk Management – (Continued)

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$6,000.

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>2013</u>	<u>2012</u>
\$10,001	\$10,298

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. Significant Financial Difficulties

On October 9, 2012, the Township was placed into Fiscal Caution by the Local Government Services division of the Auditor of State's office, as a result of suffering recurring losses in their Cemetery and Fire District funds. As of December 31, 2012 and 2013, negative fund balances existed in the Cemetery and Fire District funds in the amounts of \$78,053 and \$107,541, and \$64,034 and \$90,975, respectively. The Township has increased revenue in both the Fire Fund and Cemetery Fund through the passage of two levies (Fire, .5 mill renewal plus .5 mill additional in 2012; Cemetery, .5 mill additional in 2014).

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

To the 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, Trumbull County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 10, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Township adopted GASB 54 and is experiencing certain financial difficulties.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or 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 Government's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-003 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 and 2013-002.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

June 10, 2014

NEWTON TOWNSHIP
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012

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

1. Negative Fund Balances and Appropriations Limited by Estimated Resources

<i>Finding Number</i>	2013-001
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NONCOMPLIANCE

Ohio Rev. Code § 5705.10 (I) provides that money paid into any fund shall be used for the purpose for which it was established.

As of December 31, 2012 negative fund balances existed in the Cemetery and Fire District funds in the amounts of \$78,053 and \$107,541, respectively. As of December 31, 2013 negative fund balances existed in the Cemetery and Fire District funds in the amounts of \$64,034 and \$90,975, respectively.

Additionally, Ohio Rev. Code § 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources.

As of December 31, 2012 appropriations exceeded the amended estimate of resources (estimated revenues plus unencumbered fund balances) in the Cemetery Fund by \$84,770 and in the Fire Fund by \$108,689. As of December 31, 2013 appropriations exceeded the amended estimate of resources (estimated revenues plus unencumbered fund balances) in the Cemetery Fund by \$71,753 and in the Fire Fund by \$91,689.

The Township is currently in fiscal caution. The conditions cited above contributed to this condition.

We recommend the Fiscal Officer provide the Board of Trustees monthly reports comparing the estimated with appropriations. The Board should review the reports and enact legislation as necessary to comply with Ohio law governing tax budgets and appropriations.

Official's Response: The Township has increased revenue in both the Fire Fund and Cemetery Fund through the passage of two levies (Fire, .5 mill renewal plus .5 mill additional in 2012; Cemetery, .5 mill additional in 2014). Appropriation and receipt status reports are provided to the Board of Trustees monthly to keep them updated on expenditure and revenue standings.

2. Annual Appropriation Measure

<i>Finding Number</i>	2013-002
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NONCOMPLIANCE

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. 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 no later than April 1. In addition, Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

**Finding Number 2013-002
(Continued)**

During 2012, the Township passed a temporary appropriation measure on January 3, 2012; however the Township did not pass an annual appropriation measure until December 7, 2012. The Township could not provide the amounts of the temporary appropriation measure. Therefore, most of the Township's \$560,445 of expenditures during 2012 may have been made without being properly appropriated.

We recommend that the Township pass their annual appropriation measure by the required date.

Official's Response: 2012 was a year of transition with a new Fiscal Officer entering an office that had not filed appropriations or requested certificates from the County Auditor in 8 years. The procedure was delayed due to numerous transitional problems with the accounting system as well as a time delay from reconstruction of the Township books. Now that the process has been reestablished, the Township files appropriations and certificate amendments in a timely manner.

3. Proper Classification

<i>Finding Number</i>	2013-003
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MATERIAL WEAKNESS

In 2012, property taxes were incorrectly posted to intergovernmental revenue in the amount of \$36,951 in the Permissive Motor Vehicle License Tax Fund.

In 2013 we noted the following:

- a transfer from the General Fund to the Cemetery Fund in the amount of \$27,200 was incorrectly posted to general government expense account in the General Fund instead of a transfer out, and the corresponding receipt into the Cemetery Fund was incorrectly posted to property taxes instead of a transfer in;
- license, permit, and fees were incorrectly posted to miscellaneous revenue in the amount of \$23,357 in the General Fund;
- intergovernmental revenues were incorrectly posted to property taxes in the amount of \$10,795 in the Fire Fund; and
- miscellaneous revenues were incorrectly posted to intergovernmental revenue in the amount of \$2,251 in the Road & Bridge Fund.

The Township has adjusted their financial statements to properly present these balances.

We recommend the Township properly classify all line items presented on the financial statements in accordance with the Ohio Township Handbook chart of accounts.

Official's Response: The error was due to inaccurate programming of the new accounting system when obtained in 2012. The classifications for the financial statements have been corrected according to account coding guidelines in the Ohio Township Handbook.

**NEWTON TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Violation of ORC 9.38 Timely deposits of monies.	No	Repeated as a Management Letter comment
2011-002	Violation of ORC 117.38 Filing of financial report	Yes	Corrected
2011-003	Violation of ORC 5705.41(D) Certification of Availability of Funds	No	Repeated as a Management Letter comment
2011-004	Violation of ORC 5705 Budgetary	Partially	See Finding 2013-001, 2013-002
2011-005	Violation of ORC 133 Improper Debt	Yes	Corrected
2011-006	Violation of ORC 5705.10 Deficit fund balances	No	Repeated as Finding 2013-001
2011-007	Accounting system not reconciled with bank balances	No	Repeated as a Management Letter comment

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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
JULY 24, 2014**