



Dave Yost • Auditor of State



**NEWTON TOWNSHIP  
TRUMBULL COUNTY**

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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 of the cash balances, receipts and disbursements by fund type, and related notes of Newton Township, Trumbull County, (the Township) as of and for the years ended December 31, 2015 and 2014.

### ***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 opinions.

***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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2015 and 2014, 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, 2015 and 2014, 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***

The Township is 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 August 25, 2016, 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.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 25, 2016

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**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, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$65,248	\$285,788		\$351,036
Licenses, Permits and Fees	53,805	26,264		80,069
Intergovernmental	70,028	139,531	\$74,218	283,777
Earnings on Investments	652	417		1,069
Miscellaneous	2,475	11,674		14,149
<i>Total Cash Receipts</i>	<u>192,208</u>	<u>463,674</u>	<u>74,218</u>	<u>730,100</u>
<b>Cash Disbursements</b>				
Current:				
General Government	110,256	23,304		133,560
Public Safety	857	104,933		105,790
Public Works		251,324		251,324
Health	18,790	49,085		67,875
Capital Outlay	7,000	11,357	74,218	92,575
<i>Total Cash Disbursements</i>	<u>136,903</u>	<u>440,003</u>	<u>74,218</u>	<u>651,124</u>
<i>Excess of Receipts Over Disbursements</i>	<u>55,305</u>	<u>23,671</u>	<u>0</u>	<u>78,976</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets		1,000		1,000
<i>Total Other Financing Receipts (Disbursements)</i>		<u>1,000</u>		<u>1,000</u>
<i>Net Change in Fund Cash Balances</i>	55,305	24,671	0	79,976
<i>Fund Cash Balances, January 1</i>	<u>166,631</u>	<u>137,938</u>	<u>0</u>	<u>304,569</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		248,721		248,721
Assigned	205	726		931
Unassigned (Deficit)	221,731	(86,838)		134,893
<i>Fund Cash Balances, December 31</i>	<u>\$221,936</u>	<u>\$162,609</u>	<u>\$0</u>	<u>\$384,545</u>

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

NEWTON TOWNSHIP  
TRUMBULL COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCE (CASH BASIS)  
AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Fiduciary Fund Types</u>
	<u>Agency</u>
<i>Fund Cash Balances, January 1</i>	<u>\$3,279</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$3,279</u></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, 2014**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$64,904	\$233,899	\$298,803
Licenses, Permits and Fees	25,215	29,202	54,417
Intergovernmental	73,430	146,052	219,482
Earnings on Investments	197	269	466
Miscellaneous	2,410	18,578	20,988
<i>Total Cash Receipts</i>	<u>166,156</u>	<u>428,000</u>	<u>594,156</u>
<b>Cash Disbursements</b>			
Current:			
General Government	118,270		118,270
Public Safety		104,913	104,913
Public Works		248,237	248,237
Health	18,723	44,173	62,896
Capital Outlay		33,344	33,344
<i>Total Cash Disbursements</i>	<u>136,993</u>	<u>430,667</u>	<u>567,660</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>29,163</u>	<u>(2,667)</u>	<u>26,496</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		17,000	17,000
Transfers Out	(17,000)		(17,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(17,000)</u>	<u>17,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	12,163	14,333	26,496
<i>Fund Cash Balances, January 1</i>	<u>154,468</u>	<u>123,605</u>	<u>278,073</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		258,649	258,649
Assigned	250	13,165	13,415
Unassigned (Deficit)	166,381	(133,876)	32,505
<i>Fund Cash Balances, December 31</i>	<u>\$166,631</u>	<u>\$137,938</u>	<u>\$304,569</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, 2014**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	Internal Service	Agency	(Memorandum Only)
<b>Operating Cash Disbursements</b>			
Employee Fringe Benefits	3,109		3,109
Other		1,000	1,000
<i>Total Operating Cash Disbursements</i>	<u>3,109</u>	<u>1,000</u>	<u>4,109</u>
<i>Operating Income (Loss)</i>	<u>(3,109)</u>	<u>(1,000)</u>	<u>(4,109)</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Miscellaneous Receipts		1,279	1,279
<i>Total Non-Operating Receipts (Disbursements)</i>		<u>1,279</u>	<u>1,279</u>
<i>Net Change in Fund Cash Balances</i>	(3,109)	279	(2,830)
<i>Fund Cash Balances, January 1</i>	<u>3,109</u>	<u>3,000</u>	<u>6,109</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$0</u></u>	<u><u>\$3,279</u></u>	<u><u>\$3,279</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, 2015 AND 2014**

**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 services. The Township contracts with the Newton Falls Joint Fire District for fire and emergency medical services. Note 8 to the financial statements provides additional information for this entity.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**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, 2015 AND 2014  
(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. 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 funds.

Issue II Fund - The Township received a grant from the State of Ohio to widen and resurface Hott-West Road.

**4. 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.

**5. 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 funds accounts for unclaimed monies and deposits held pending satisfactory completion of road work.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**NEWTON TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**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.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**F. 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.

**NEWTON TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**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.

**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:

	<u>2015</u>	<u>2014</u>
Demand deposits	\$72,226	\$57,721
Certificates of deposit	150,185	150,000
Other time deposits (savings and NOW accounts)	<u>165,413</u>	<u>100,127</u>
Total deposits	<u><u>\$387,824</u></u>	<u><u>\$307,848</u></u>

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



**NEWTON TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$173,248	\$192,208	\$18,960
Special Revenue	480,664	464,674	(15,990)
Capital Projects	74,217	74,218	1
Total	\$728,129	\$731,100	\$2,971

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$155,804	\$137,108	\$18,696
Special Revenue	503,776	440,729	63,047
Capital Projects	74,218	74,218	0
Total	\$733,798	\$652,055	\$81,743

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$164,456	\$166,156	\$1,700
Special Revenue	429,889	445,000	15,111
Capital Projects	74,995	0	(74,995)
Total	\$669,340	\$611,156	(\$58,184)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$174,190	\$154,243	\$19,947
Special Revenue	508,481	443,831	64,650
Capital Projects	74,995	0	74,995
Internal Service	3,109	3,109	0
Total	\$760,775	\$601,183	\$159,592

Contrary to Ohio law, appropriations exceeded estimated resources in the Cemetery fund by \$59,398 and in the Fire District Fund by \$74,886 for the year ended December 31, 2014. Also contrary to Ohio law, at December 31, 2014, the Cemetery fund had a cash deficit balance of \$46,577 and the Fire District fund had a cash deficit balance of \$74,134.

Contrary to Ohio law, appropriations exceeded estimated resources in the Cemetery fund by \$23,680 and in the Fire District Fund by \$57,569 for the year ended December 31, 2015. Also contrary to Ohio law, at December 31, 2015, the Cemetery fund had a cash deficit balance of \$24,884 and the Fire District fund had a cash deficit balance of \$61,228.

**NEWTON TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(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 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.

**5. RETIREMENT SYSTEMS**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. 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 2015 and 2014, 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, 2015.

**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, 2015, 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  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**6. 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

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>2015</u>	<u>2014</u>
\$9,215	\$9,306

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.

**NEWTON TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**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, 2014 and 2015, negative fund balances existed in the Cemetery and Fire District funds in the amounts of \$46,577 and \$74,134 and \$24,884 and \$61,228 respectively. The Township has increased revenue in both the Fire District 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). The Township has developed and followed a fiscal recovery plan which has controlled expenditures and offset reduced intergovernmental receipts. The General Fund has been strengthened by the receipt of construction demo and debris tipping fees beginning in 2015, and it is anticipated that additional revenue may be received from the fees in 2016. The Township will remain under the guidance of Local Government Services until the deficit fund balances have been cleared.

**8. Related Organization**

The Newton Falls Joint Fire District provides fire protection and rescue services within the District and by contract to areas outside the District. The District is composed of the territories within Newton Township and the Village of Newton Falls. The District is under the management of a five-member board. The Board members for the District are appointed by the Township Trustees and Village of Newton Falls Council. Each of the aforementioned political subdivisions selects one member from within their ranks to serve a one year term on the District Board. Each political subdivision also selects one resident from within their subdivision to serve a three year term on the District Board. The final member of the Board is also appointed by the political subdivisions to serve a three year term. The final member's selection alternates between a resident of the Township and the Village. The District in large part is funded by voter approved property tax receipts. The Township and Village, per agreement, also provide funding to the District. For the years 2014 and 2015, the Township provided \$53,752 annually to the District.



# 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 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 the cash balances, receipts, and disbursements by fund type of Newton Township, Trumbull County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated August 25, 2016 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 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

***Entity's Response to Findings***

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

***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

August 25, 2016

NEWTON TOWNSHIP  
TRUMBULL COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014

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

**Negative Fund Balances and Appropriations Limited by Estimated Resources**

<i>Finding Number</i>	2015-001
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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.

At December 31, 2014, negative fund balances existed in the Cemetery and Fire District funds in the amounts of \$46,577 and \$74,134, respectively. As of December 31, 2015, negative fund balances existed in these same funds in the amounts of \$24,884 and \$61,228, respectively.

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

At December 31, 2014, appropriations exceeded the amended estimate of resources (estimated revenues plus unencumbered fund balances) in the Cemetery Fund by \$59,398 and in the Fire Fund by \$74,886. As of December 31, 2015, appropriations exceeded the amended estimate of resources (estimated revenues plus unencumbered fund balances) in the Cemetery Fund by \$23,680 and in the Fire Fund by \$57,569.

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

Negative cash fund balances are an indication that revenues from other sources were used to help pay obligations of other funds. Fund activity should be monitored to help prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Rev. Code.

**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).

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**NEWTON TOWNSHIP  
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Violation of ORC 5705.10 and 5705.39 Deficit fund balances and appropriations limited by estimated resources	No	Repeated as Finding 2015-001
2013-002	Violation of ORC 5705.3.8(A) Annual appropriation measure	Yes	Corrected
2013-003	Proper Classification of receipts and disbursements	Yes	Corrected

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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  
SEPTEMBER 29, 2016**