



Dave Yost • Auditor of State

November 20, 2018

The Honorable John Nemet, Chair
The Honorable Doreen Lutz, Township Trustee
The Honorable Peter Augusta, Township Trustee
Newton Township
4410 Newton Falls Bailey Road
Newton Falls, OH 44444

Dear Board of Trustees:

On October 9, 2012, Newton Township, Trumbull County (the Township) was declared to be in a state of fiscal caution by the Auditor of State. The declaration was based on a review of the Township's financial records on April 9, 2012. The 2008-2009 financial audit included significant deficiencies, material weaknesses and direct and material noncompliance with Ohio law, including that the Township did not certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that exist at the end of the preceding year and that total appropriations from each fund do not exceed the total official estimate approved by the County Budget Commission. The Township also failed to file annual reports with the Auditor of State's office. Based on a review of fund financial data for Newton Township at December 31, 2011, the Township had three funds with deficit balances in the amount of \$153,001. The deficits exceeded two percent of estimated revenues by \$151,938. Based on a review of fund financial data at April 30, 2012, the Township had four funds with deficit balances in the amount of \$147,967. The deficits exceeded two percent of estimated revenues by \$145,562.

Over the past years, the Local Government Services Section of the Auditor of State's Office has met with the Fiscal Officer to review the actions taken to eliminate these deficiencies. A summary of our review of the Township's progress in resolving the deficiencies that led to the Declaration of Fiscal Caution on October 9, 2012, follows.

Deficit Fund Balances

Deficiency: The Township had multiple funds with deficit balances at December 31, 2011 and April 30, 2012 in cumulative amounts of \$153,001 and \$147,967, respectively.

Resolution: The Township prepared a Fiscal Recovery Plan that included seventeen actions that would improve the health of multiple funds through a combination of increasing revenues, reducing expenditures and complying with Ohio Revised Code for budgeting. The Township has implemented all seventeen actions listed in the Fiscal Recovery Plan. As a result, Newton Township had no deficit funds as of September 30, 2018. The general fund balance was \$389,089 at September 30, 2018.

Significant Deficiencies, Material Weaknesses and Direct and Material Noncompliance Citations with Ohio Law

Deficiency: The Township should identify and correct significant deficiencies, material weaknesses, and direct and material noncompliance citations with Ohio law as addressed in the Schedule of Findings and in the Management Letter that accompanied the Township's financial audit report for 2008 and 2009.

Resolution: The Township has corrected the significant deficiencies, material weaknesses, and direct and material noncompliance with Ohio law as outlined in the 2008-2009 audit as follows:

- The Township no longer has funds with negative cash balances.
- The Township complies with certifying to the County Auditor the total amount from all sources which are available for expenditure from each fund in the tax budget along with any unencumbered balances that exist at the end of the preceding year and that the total appropriations from each fund do not exceed the total official estimate approved by the County Budget Commission.
- The Township now files their annual report with the Auditor of State's office.
- The Township properly allocates interest earned between the general fund, motor vehicle license fund and the gasoline tax fund per Ohio Revised Code.
- The Township now transfers money from the general fund only through resolutions from the Board of Trustees.

Conclusion:

Newton Township has made satisfactory progress in correcting the deficiencies listed above, and the Township's fiscal caution status under Section 118.025 of the Ohio Revised Code has been terminated.

My sincere congratulations and hope for continued success to Newton Township in maintaining financial stability in future years.

Sincerely,



Dave Yost
Auditor of State

cc: Susan Montgomery, Fiscal Officer
Robert R. Hinkle, Chief Deputy Auditor
Unice S. Smith, Chief of Local Government Services
Nita Hendryx, Chief Project Manager, Local Government Services
Joey Jones, Chief Auditor