



OHIO AUDITOR OF STATE  
**KEITH FABER**





**NEWTON TOWNSHIP  
PIKE COUNTY  
DECEMBER 31, 2019 AND 2018**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Newton Township  
Pike County  
2027 Williams Road  
Piketon, Oh, 45661

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, Pike County, Ohio (the Township) as of and for the years ended December 31, 2019 and 2018.

### ***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 such 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 2 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, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

***Basis for Adverse Opinion on Regulatory Basis of Accounting***

The Township had prior audit adjustments that were not all posted to the Township's accounting system due to the impact that these adjustments would have on the General Fund. Had the posting of prior audit adjustments been made to the financial statements and accounting system, the General Fund cash balance would have decreased by \$13,267, the Gasoline Tax Fund cash balance would have increased \$9,651, the Road and Bridge Fund cash balance would have increased \$466, the Cemetery Fund cash balance would have increased by \$818, and the Fire District Fund cash balance would have increased by \$2,332.

***Adverse Opinion on Regulatory Basis of Accounting***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above do not present fairly the cash balances, receipts and disbursements by fund type, and related notes of the Newton Township, Pike County, Ohio, as of December 31, 2019 and 2018, 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 2.

***Emphasis of Matter***

As discussed in Note 13 to the 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2020, 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 "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber  
Auditor of State  
Columbus, Ohio  
November 10, 2020

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**Newton Township**  
*Pike County, Ohio*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2019*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$25,537	\$44,419	\$69,956
Intergovernmental	24,949	117,065	142,014
Earnings on Investments	353	199	552
Miscellaneous	689	11,292	11,981
<i>Total Cash Receipts</i>	<u>51,528</u>	<u>172,975</u>	<u>224,503</u>
<b>Cash Disbursements</b>			
Current:			
General Government	53,436	34,886	88,322
Public Safety	0	22,309	22,309
Public Works	0	145,330	145,330
Debt Service:			
Principal Retirement	3,300	0	3,300
Interest and Fiscal Charges	506	0	506
<i>Total Cash Disbursements</i>	<u>57,242</u>	<u>202,525</u>	<u>259,767</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,714)</u>	<u>(29,550)</u>	<u>(35,264)</u>
<i>Fund Cash Balances, January 1</i>	<u>8,853</u>	<u>265,128</u>	<u>273,981</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	235,578	235,578
Assigned	3,139	0	3,139
<i>Fund Cash Balances, December 31</i>	<u>\$3,139</u>	<u>\$235,578</u>	<u>\$238,717</u>

*See accompanying notes to the basic financial statements*

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**Newton Township**  
*Pike County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Newton Township, Pike County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and fire protection services. The Township contracts with the Elm Grove Volunteer Fire Department to provide fire services. The Township appropriates general fund money to support a volunteer fire department.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which are organized on a fund type basis.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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 Fund:

***Gas Tax Fund*** The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Basis of Accounting***

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.

**Newton Township**  
*Pike County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

***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.

***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 2018 budgetary activity appears in Note 4.

***Deposits***

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 has no investments.

***Capital Assets***

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***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:

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

***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.

***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.

**Newton Township**  
*Pike County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**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.

**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.

**Note 3 – Compliance**

Contrary to Ohio law, appropriations exceeded estimated resources in the General fund by \$19,729 for the year ended December 31, 2018.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,087	\$51,528	\$15,441
Special Revenue	145,657	172,975	27,318
Total	\$181,744	\$224,503	\$42,759

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,380	\$57,242	\$3,138
Special Revenue	240,024	202,525	37,499
Total	\$300,404	\$259,767	\$40,637

**Newton Township**  
*Pike County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 5 – Deposits and Investments**

The Township maintains a deposits 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:

	2019
Demand deposits	<u>\$238,717</u>
Total deposits	<u><u>\$238,717</u></u>

***Deposits***

At December 31, 2019, \$6,602 of deposits were not insured or collateralized, contrary to Ohio law.

**Note 6 – Property Taxes**

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**Note 7 – Risk Management**

***Risk Pool Membership***

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

**Newton Township**  
*Pike County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2018
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

**Note 8– Defined Benefit Pension Plans**

*Ohio Public Employees Retirement System*

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2019.

*Social Security*

Some Township’s employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2019.

**Note 9 – Postemployment Benefits**

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

**Newton Township**  
*Pike County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 10 – Debt**

Debt outstanding at December 31, 2019, was as follows:

	Principal	Interest Rate
USDA loan	\$14,300	2.875%
General Obligation Notes	19,284	3.75%
Total	\$33,584	

The Township entered into a municipal loan agreement with First National Bank in 2016. As of December 31, 2019 the remaining balance of \$19,284 and will be paid in full in 2020.

On June 8, 2016 the Township entered into a USDA loan agreement to finance the purchase of a Ford dump truck. The principal amount of the loan was \$24,000 and the final payment will be paid in 2023.

***Amortization***

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

Year Ending	USDA loan	General Obligation Note
December 31:		
2020	\$3,812	\$20,007
2021	3,913	
2022	3,810	
2023	3,806	
Total	\$15,341	\$20,007

**Note 11 – 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.

**Note 12 – Subsequent Events**

On March 3, 2020, the Township refinanced the General Obligation Note in the amount of \$10,113 through the First National Bank of Waverly.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. In addition, the impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.



**Newton Township**  
*Pike County, Ohio*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2018*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$25,431	\$42,144	\$67,575
Intergovernmental	25,195	102,321	127,516
Earnings on Investments	139	164	303
Miscellaneous	962	0	962
<i>Total Cash Receipts</i>	<u>51,727</u>	<u>144,629</u>	<u>196,356</u>
<b>Cash Disbursements</b>			
Current:			
General Government	43,682	29,726	73,408
Public Safety	0	22,520	22,520
Public Works	0	69,794	69,794
Debt Service:			
Principal Retirement	0	35,467	35,467
Interest and Fiscal Charges	0	2,218	2,218
<i>Total Cash Disbursements</i>	<u>43,682</u>	<u>159,725</u>	<u>203,407</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>8,045</u>	<u>(15,096)</u>	<u>(7,051)</u>
Note Proceeds	0	19,284	19,284
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>19,284</u>	<u>19,284</u>
<i>Net Change in Fund Cash Balances</i>	<u>8,045</u>	<u>4,188</u>	<u>12,233</u>
<i>Fund Cash Balances, January 1, Restated</i>	<u>808</u>	<u>260,940</u>	<u>261,748</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	265,128	265,128
Assigned	8,853	0	8,853
<i>Fund Cash Balances, December 31</i>	<u><u>\$8,853</u></u>	<u><u>\$265,128</u></u>	<u><u>\$273,981</u></u>

See accompanying notes to the basic financial statements

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**Newton Township**  
*Pike County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Newton Township, Pike County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and fire protection services. The Township contracts with the Elm Grove Volunteer Fire Department to provide fire services. The Township appropriates general fund money to support a volunteer fire department.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which are organized on a fund type basis.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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 Fund:

***Gas Tax Fund*** The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Basis of Accounting***

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.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

**Newton Township**  
*Pike County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

**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.

**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 2018 budgetary activity appears in Note 4.

**Deposits**

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 has no investments.

**Capital Assets**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**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:

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

***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.

***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.

***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*

**Newton Township**  
*Pike County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**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.

**Note 3 – Compliance**

Contrary to Ohio law, appropriations exceeded estimated resources in the General fund by \$9,689 for the year ended December 31, 2018.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,599	\$51,727	\$16,128
Special Revenue	151,612	163,913	12,301
Total	\$187,211	\$215,640	\$28,429

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$57,210	\$43,682	\$13,528
Special Revenue	216,500	159,725	56,775
Total	\$273,710	\$203,407	\$70,303

**Note 5 – Deposits**

The Township maintains a deposits 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:

Demand deposits	\$ 273,981
Total deposits	\$ 273,981

**Newton Township**  
*Pike County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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***Deposits***

At December 31, 2018, \$24,063 of deposits were not insured or collateralized, contrary to Ohio law.

**Note 6 – Property Taxes**

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**Note 7 – Risk Management**

***Risk Pool Membership***

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2018
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

**Newton Township**  
*Pike County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2018.

***Social Security***

Some Township’s employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2018.

**Note 9 – Postemployment Benefits**

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

**Note 10 – Debt**

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
USDA loan	\$17,600	2.875%
General Obligation Notes - 7634	19,284	3.75%
Total	\$36,884	

The Township entered into a municipal loan agreement with First National Bank in 2016. As of December 31, 2018 the remaining balance of \$19,284 and will be paid in full in 2019.

On June 8, 2016 the Township entered into a USDA loan agreement to finance the purchase of a Ford dump truck. The principal amount of the loan was \$24,000 and the final payment will be paid in 2023.

**Newton Township**  
*Pike County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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***Amortization***

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

Year Ending December 31:	USDA loan	General Obligation Note
2019	\$3,806	\$20,007
2020	3,812	
2021	3,913	
2022	3,810	
2023	3,806	
Total	\$19,147	\$20,007

**Note 11 – 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.

**Note 12- Restatement of Fund Balances**

The Township’s fund cash balances at January 1, 2018 have been restated for partial repayment from the General Fund to the Motor Vehicle License Tax, Road and Bridge, Cemetery and Fire District Funds for a Finding for Adjustment from the audit of fiscal years 2014 and 2015. This adjustment resulted in the following changes in fund balances at January 1, 2018:

	General Fund	Special Revenue Funds
Fund Balance at December 31, 2017 as previously Reported	\$11,922	\$249,826
Repayment of Prior Finding For Adjustment	<u>(11,114)</u>	<u>11,114</u>
Fund Balance January 1, 2018 as Restated	<u>\$ 808</u>	<u>\$260,940</u>

**Note 13 – Subsequent Events**

On March 3, 2020, the Township refinanced the General Obligation Note in the amount of \$10,113 through the First National Bank of Waverly.



# OHIO AUDITOR OF STATE KEITH FABER



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

Newton Township  
Pike County  
2027 Williams Road  
Piketon, Ohio 45661

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 the Newton Township, Pike County, (the Township) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated November 10, 2020 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 financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township.

### ***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.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-001 and 2019-004 through 2019-005 to be material weaknesses.

### ***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 2019-002, 2019-003 and 2019-005.

***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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio  
November 10, 2020

**NEWTON TOWNSHIP  
PIKE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2019 and 2018**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2019-001**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Due to deficiencies in the Township's financial statement monitoring and review process, the following conditions were noted related to the Township's accounting system:

- Property and Other Local Taxes were overstated by \$2,880 and Intergovernmental revenue and Cash Fund Balance were understated by \$4,400 and \$1,520, respectively in the General fund in 2018.
- Property and Other Local Taxes were overstated by \$2,807 and Intergovernmental revenue and Cash Fund Balance were understated by \$4,192 and \$1,385, respectively in the General fund in 2019.
- The General fund assigned balance was understated and unassigned balance was overstated by \$19,967 in 2018.
- The General fund assigned balance was understated and unassigned balance was overstated by and \$14,253 in 2019.
- Principal and Interest expense were understated by \$3,300 and \$506 respectively, and General Government expense was overstated by \$3,806 in the General fund in 2019.
- Principal expense was understated by \$31,566, interest expense was understated by \$2,218, and Note Proceeds were understated by \$19,284, and public works expense was overstated by \$14,500 in the Gas Tax fund in 2018.

The Township corrected the financial statements and accounting records, where appropriate.

The Township made additional errors in financial reporting in the Combined Statement of Receipts, Disbursements, and Changes in Fund Balances in amounts of \$85 to \$5,176 in 2018 and \$26 to \$5,049 in 2019. The Township corrected the financial statements and accounting records, where appropriate.

Failure to accurately post and report transactions could result in material errors in the Township's financial statements and reduces the Township's ability to monitor financial activity and to make sound decisions which effect the overall available Cash positions of the Township.

The Township should accurately record financial transactions.

**Officials' Response:**

The Township did not respond to this finding.

**FINDING NUMBER 2019-002**

**Noncompliance**

**Ohio Rev. Code § 135.18** states, in part, a political subdivision shall require the institution designated as a public depository to pledge to a deposit with, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above the portion or amount of such moneys as is at that time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

Newton Township had \$256,602 and \$274,063 on deposit in Government Accounts at First National Bank at December 31, 2019 and December 31, 2018 respectively. These deposits were partially secured by FDIC insurance (FDIC) of \$250,000, but the amount over the FDIC was not collateralized. Therefore, contrary to Ohio law, the Township had \$6,602 and \$24,063, in uncollateralized monies at December 31, 2019 and December 31, 2018 respectively.

Failure to properly collateralize public funds results in their accounts being not secured if their balances exceed the FDIC coverage.

The Township should maintain proof of pooled or pledged collateral on all deposits above the FDIC insurance limit at their designated depositories.

**Officials' Response:**

The Township did not respond to this finding.

**FINDING NUMBER 2019-003**

**Noncompliance**

**Ohio Rev. Code § 5705.39** provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

At December 31, 2019 and 2018, the Township's appropriations exceeded the amount certified as available by the budget commission in the General Fund by \$19,729 and \$9,689, respectively.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Township's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The Township should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Township should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Board of Trustees to reduce the appropriations.

**FINDING NUMBER 2019-003  
(Continued)**

**Officials' Response:**

The Township did not respond to this finding.

**FINDING NUMBER 2019-004**

**Material Weakness**

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations and/or amendments thereof approved by the Board were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources and/or amendments thereof was not properly posted to the accounting system. The debt refinance activity was not included in the budgetary amounts in either year. The report footnote did not agree to the amounts approved by the Board in the Appropriation Resolution. No Appropriation information, Budgetary Basis Expenditures, or Actual Receipts were disclosed in the footnote. The Township corrected the footnote.

<b>2019 Estimated Receipts</b>	General	Motor Vehicle License Tax	Gas Tax	Road and Bridge	Cemetery	Fire
UAN	\$ 51,424	\$ 6,400	\$ 125,162	\$ 10,659	\$ 13,083	\$ 27,823
Amended Certificate of Estimated Resources	36,087	6,210	92,213	8,496	12,534	26,204
Variance with System	\$15,337	\$190	\$32,949	\$2,163	\$549	\$1,619

<b>2019 Appropriations</b>	General	Gas Tax
UAN Appropriations	\$65,380	\$197,924
Approved Appropriations	60,380	187,924
Variance with System	\$5,000	\$10,000

<b>2018 Estimated Receipts</b>	General	Motor Vehicle License Tax	Gas Tax	Road and Bridge	Cemetery	Fire
UAN	\$50,678	\$6,088	\$128,409	\$9,429	\$13,915	\$29,115
Amended Certificate of Estimated Resources	35,599	6,323	91,950	9,992	14,632	28,715
Variance with System	\$15,079	(\$235)	\$36,459	(\$563)	(\$717)	\$400

**FINDING NUMBER 2019-004  
(Continued)**

<b>2018 Appropriations</b>	Cemetery
UAN Appropriations	\$19,350
Approved Appropriations	11,750
Variance with System	\$7,600

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

**Officials' Response:**

The Township did not respond to this finding.

**FINDING NUMBER 2019-005**

**Noncompliance/Material Weakness/Finding for Adjustment**

**Ohio Admin. Code § 117-2-01(D)(5)** states that when public offices are designing their system of internal control that they should ensure that accounting records are properly designed and also verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

In accordance with Ohio Rev. Code § 117.43, the Township contracted with a CPA firm to perform the 2015-2014 audit of the Township's financial statements. During the course of performing the audit, the CPA firm found that rollbacks were not distributed properly to the appropriate funds. At the end of the audit, the CPA firm presented the Township with fund balance adjustments that needed to be completed. On June 28, 2016, the Township posted the 2014 and 2015 audit adjustments to the Uniform Accounting Network accounting system (UAN) and gave the CPA firm evidence that these adjustments were made in UAN. On July 18, 2016, the Township Fiscal Officer reversed the 2014 fund balance adjustments because these adjustments reduced the General Fund balance. On February 19, 2017, the Township Fiscal Officer posted half of the 2014 fund balance adjustments in the UAN system. At the end of 2017, the other half of the fund balance adjustments still need to be made in the UAN system.

These additional adjustments for rollbacks would reduce the General Fund balance by \$10,243, increase the Fire District fund by \$5,125, increase the Cemetery Fund balance by \$3,077, and increase the Road and Bridge fund by \$2,041.

During the 2017-2016 audit, the CPA firm found additional rollbacks that were posted entirely to the General Fund and were not properly distributed to the appropriate funds. These adjustments would reduce the General Fund balance by \$3,617 increase the Fire District fund by \$2,331, increase the Cemetery Fund balance by \$818, and increase the Road and Bridge fund by \$468.

**FINDING NUMBER 2019-005  
(Continued)**

The Township Trustees prepared payroll certifications for 2016 and 2017 in accordance with Ohio Rev. Code § 505.24 which states, in part, that each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed. However, the amounts posted to the payroll system were not in the percentages certified on the payroll certifications. These adjustments for improper postings would reduce the General Fund balance by \$10,521, increase the Motor Vehicle License fund balance by \$435, increase the Gasoline Tax fund balance by \$9,651, and increase the Road and Bridge fund balance by \$435.

The above resulted in the issuance of a finding for adjustment in the amount of \$24,382 against the General Fund and in favor of the Motor Vehicle License Fund \$436, Gasoline Tax Fund \$9,651, Fire District Fund \$7,456, Cemetery Fund \$3,895, and the Road and Bridge fund \$2,944 as of December 31, 2017.

During the 2019-2018 audit, the Township repaid part of the prior finding for adjustment through current audit adjustments. This repayment reduced the amount against the General Fund by \$11,113 and decreased the amount in favor of Motor Vehicle License Fund by \$435, Road and Bridge Fund by \$2,476, Cemetery Fund by \$3,077, and Fire District Fund by \$5,125.

In accordance with the forgoing facts, we hereby issue a finding for adjustment in the amount of \$13,267 against the General Fund and in favor of the Gasoline Tax Fund for \$9,651, Road and Bridge Fund for \$466, Cemetery Fund for \$818, and Fire District Fund for \$2,332.

**Officials' Response:**

The Township did not respond to this finding.

**2. OTHER – FINDINGS FOR RECOVERY**

In addition, we identified the following other issues related to Findings for Recovery. These issues did not impact our GAGAS or Single Audit Compliance and Controls reports.

**FINDING NUMBER 2019-006**

**Finding for Recovery Repaid Under Audit**

**Ohio Rev. Code § 507.09(A)(2)** provides that in a township having a budget of more than \$250,000 but not more than \$500,000, the compensation of the Township Fiscal Officer shall be \$14,039 per year.

Newton Township's budget in 2019 was between \$250,001 and \$500,000 thus the Fiscal Officer was to be paid \$14,039.

Newton Township's Fiscal Officer mistakenly used the incorrect amount when calculating the Fiscal Officer's salary. Consequently, the Fiscal Officer Jamie Wooldridge received compensation in the amount of \$15,597 in 2019 resulting in an overpayment of \$1,558.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Township Fiscal Officer Jamie Wooldridge and her bonding company, Travelers Casualty and Surety Company of America, in the amount of \$1,558, and in favor of Newton Township's General fund in the amount of \$1,558.

Upon discovery of the facts, Ms. Wooldridge made repayment in full to the Township in cash on August 21, 2020.

**FINDING NUMBER 2019-006  
(Continued)**

**Officials' Response:**

The Township did not respond to this finding.

**FINDING NUMBER 2019-007**

**Finding for Recovery Repaid Under Audit**

**Ohio Rev. Code 505.24** provides that in a township having a budget of more than \$250,000 but not more than \$500,000, the compensation of the Township Trustees shall be forty-six dollars and eighty cents per day for not more than two hundred days.

Newton Township's budget in 2019 was between \$250,001 and \$500,000 thus the Trustees were to be paid \$46.80 for 200 days, for total of \$9,360, annually.

Newton Township's Fiscal Officer mistakenly used the incorrect amount when calculating the Trustees' salary. Consequently, Trustees Marty Moore, Michael Wickline, and Kelly Grooms received compensation in the amount of \$9,926 in 2019 resulting in an overpayment of \$566 each.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Township Trustees Marty Moore, Michael Wickline, and Kelly Grooms in the amount of \$566 each, and in favor of Newton Township's Gas Tax fund in the amount of \$566 each. Their bonding company, Ohio Township Association Risk Management Authority, is jointly and severally liable in the amount of \$1,698.

Upon discovery of the facts, Marty Moore made repayment in full to the Township in cash on August 19, 2020. Michael Wickline made repayment in full to the Township in cash on August 21, 2020. Kelly Grooms made repayment in full to the Township in cash on August 21, 2020.

**Officials' Response:**

The Township did not respond to this finding.



## Newton Township Pike County Ohio

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2019 AND 2018

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	Trustee compensation ORC 505.24(C)	Partially Corrected	Reissued in management letter.
2017-002	Prior Certification of fund 5705.41(D)	Partially corrected	Reissued in management letter.
2017-003	Expenditures exceed appropriations	Partially corrected	Reissued as management letter comment.
2017-004	Financial Reporting	Not corrected	Reissued as Finding 2019-001
2017-005	Notes to the Financial Statements	Partially corrected	Reissued as management letter comment.

# OHIO AUDITOR OF STATE KEITH FABER



**NEWTON TOWNSHIP**

**PIKE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 12/31/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)