



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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NEW MARKET TOWNSHIP
HIGHLAND COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2012 and 2011
Fiscal Years Audited Under GAGAS: 2012 and 2011



Dave Yost • Auditor of State

Board of Trustees
New Market Township
4641 US Route 62
Hillsboro, Ohio 45133

We have reviewed the *Independent Auditor's Report* of New Market Township, Highland County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. New Market Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 25, 2013

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New Market Township
Highland County, Ohio
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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Board of Trustees
New Market Township
Highland County
4641 US Route 62
Hillsboro, Ohio 45133

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Emphasis of Matter

As described in Note 9 to the financial statements, during 2011, the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2013, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe 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 Standard* in considering the Township's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
September 25, 2013

**NEW MARKET TOWNSHIP
HIGHLAND COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Local Taxes	\$ 52,325	\$ 71,562	\$ -	\$123,887
Intergovernmental	23,886	120,016	-	143,902
Earnings on Investments	1,316	647	162	2,772
Miscellaneous	6,003	-	-	6,003
	<u>83,530</u>	<u>192,225</u>	<u>162</u>	<u>275,917</u>
Cash Disbursements:				
Current:				
General Government	63,622	-	-	63,622
Public Safety	-	186,354	-	186,354
Public Works	1,908	87,805	-	89,713
Health	5,614	8,912	45	14,571
	<u>71,144</u>	<u>283,071</u>	<u>45</u>	<u>354,260</u>
Total Cash Disbursements	<u>71,144</u>	<u>283,071</u>	<u>45</u>	<u>354,260</u>
Total Cash Receipts Over/(Under) Cash Disbursements	12,386	(90,846)	117	(78,343)
Fund Cash Balances, January 1	<u>76,222</u>	<u>297,473</u>	<u>22,664</u>	<u>396,359</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	16,504	-
Restricted	-	206,627	6,277	206,627
Unassigned	88,608	-	-	88,608
Fund Cash Balances, December 31	<u>\$ 88,608</u>	<u>\$ 206,627</u>	<u>\$ 22,781</u>	<u>\$ 318,016</u>

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

**NEW MARKET TOWNSHIP
HIGHLAND COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Local Taxes	\$ 44,669	\$ 65,533	\$ -	\$ 110,202
Intergovernmental	14,669	99,464	-	114,133
Earnings on Investments	1,255	991	167	2,413
Miscellaneous	322	-	-	322
	<u>60,915</u>	<u>165,988</u>	<u>167</u>	<u>227,070</u>
Total Cash Receipts				
	<u>60,915</u>	<u>165,988</u>	<u>167</u>	<u>227,070</u>
Cash Disbursements:				
Current:				
General Government	77,944	-	-	77,944
Public Safety	-	2,664	-	2,664
Public Works	2,310	119,905	-	122,215
Health	-	7,916	-	7,916
Capital Outlay	648	-	-	648
	<u>80,902</u>	<u>130,485</u>	<u>-</u>	<u>211,387</u>
Total Cash Disbursements				
	<u>80,902</u>	<u>130,485</u>	<u>-</u>	<u>211,387</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(19,987)	35,503	167	15,683
Fund Cash Balances, January 1	<u>96,209</u>	<u>261,970</u>	<u>22,497</u>	<u>380,676</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	16,504	16,504
Restricted	-	297,473	6,160	303,633
Unassigned	76,222	-	-	76,222
	<u>76,222</u>	<u>-</u>	<u>-</u>	<u>76,222</u>
Fund Cash Balances, December 31	<u>\$ 76,222</u>	<u>\$ 297,473</u>	<u>\$ 22,664</u>	<u>\$ 396,359</u>

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

**NEW MARKET TOWNSHIP
HIGHLAND COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the New Market Township, Highland County, Ohio (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 and cemetery maintenance. The Township contracts with the Paint Creek Joint EMS/Fire District. to provide ambulance and fire protection services.

The Township participates in the Highland County Joint Township Hospital District, a jointly governed organization established for the public purpose of better providing for the health and welfare of the people primarily of Highland County. Trustees from each of the 17 townships of Highland County constitute the Highland County Joint Township Hospital Board of Trustees who appoints the Hospital Board of Governors which is composed of one member from each township and three at-large members

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. The basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Township deposits all available funds in a checking account and two certificates of deposit with a commercial bank. The Township values the certificates of deposit 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for the proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund – This fund receives gasoline tax money to pay for constructing, maintaining, and repairing township roads.

**NEW MARKET TOWNSHIP
HIGHLAND COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds (continued)

Fire Levy Fund – This fund receives property tax money to pay for providing fire protection to Township residents.

3. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund: L.A. Purdy, E.C. Morrow, M.F. Purdy, L.M. Purdy, and Presbyterian non-expendable Trusts were bequeathed to the Township for the care and maintenance of specified lots, and for the upkeep, maintenance and improvement of the Presbyterian cemetery.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated Resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 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.

**NEW MARKET TOWNSHIP
HIGHLAND COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

2. Restricted

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

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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 acquisition of property, plant and equipments when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH

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

	<u>2012</u>	<u>2011</u>
Demand Deposits	<u>\$ 318,016</u>	<u>\$ 396,359</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

**NEW MARKET TOWNSHIP
HIGHLAND COUNTY**

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

3. BUDGETARY ACTIVITY

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

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 61,473	\$ 83,530	\$ 22,057
Special Revenue	176,402	192,225	15,823
Permanent	302	162	(140)
Total	\$ 238,177	\$ 275,917	\$ 37,740

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 132,614	\$ 71,144	\$ 61,470
Special Revenue	397,208	283,071	114,137
Permanent	6,101	45	6,056
Total	\$ 535,923	\$ 354,260	\$ 181,663

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 58,488	\$ 60,915	\$ (2,427)
Special Revenue	145,330	165,988	(20,658)
Permanent	59	167	(108)
Total	\$ 203,877	\$ 227,070	\$ (23,193)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 154,698	\$ 80,902	\$ 73,796
Special Revenue	367,622	130,485	237,137
Permanent	8,445	-	8,445
Total	\$ 530,765	\$ 211,387	\$ 319,378

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 property owner elects to pay semiannually, the first half is due December 31. The second half payment is due to the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

**NEW MARKET TOWNSHIP
HIGHLAND COUNTY**

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

4. PROPERTY TAX (Continued)

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEM

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, which include postretirement healthcare and survivor and disability benefits as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.

7. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

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

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

Financial Position

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

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

**NEW MARKET TOWNSHIP
HIGHLAND COUNTY**

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

7. RISK MANAGEMENT (Continued)

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.9 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$1,938.

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.

Contributions to OTARMA	
2012	\$3,284
2011	\$2,777

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. 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.

9. FUND BALANCES

The Township implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

**NEW MARKET TOWNSHIP
HIGHLAND COUNTY**

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

9. FUND BALANCES (Continued)

Fund Balances	General	Special Revenue Funds	Permanent Funds	Total Governmental Funds
12/31/2011				
Nonspendable				
Cemetery	\$ -	\$ -	\$ 16,504	\$ 16,504
Restricted for				
Road Maintenance	\$ -	\$ 32,532	\$ -	\$ 32,532
Gas Tax	-	68,415	-	68,415
Cemetery Maintenance	-	54,817	6,160	60,977
Fire	-	141,709	-	141,709
Total Restricted	<u>-</u>	<u>297,473</u>	<u>6,160</u>	<u>303,633</u>
Unassigned (Deficit)	<u>\$ 76,222</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,222</u>
Total Fund Balances	<u>\$ 76,222</u>	<u>\$ 297,473</u>	<u>\$ 22,664</u>	<u>\$ 396,359</u>
12/31/2012				
Nonspendable				
Cemetery	\$ -	\$ -	\$ 16,504	\$ 16,504
Restricted for				
Road Maintenance	\$ -	\$ 56,323	\$ -	\$ 56,323
Gas Tax	-	84,396	-	84,396
Cemetery Maintenance	-	62,718	6,277	68,995
Fire	-	3,190	-	3,190
Total Restricted	<u>-</u>	<u>206,627</u>	<u>6,277</u>	<u>212,904</u>
Unassigned (Deficit)	<u>\$ 88,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,608</u>
Total Fund Balances	<u>\$ 88,608</u>	<u>\$ 206,627</u>	<u>\$ 22,781</u>	<u>\$ 318,016</u>

10. COMPLIANCE

Contrary to Ohio law the Township did not properly certify funds prior to expending them.

Contrary to Ohio law, the Township did not file the annual appropriation resolutions with the County Auditor for 2012 and 2011.

Contrary to Ohio law, the Township was unable to locate certain documents needed for the audit.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

New Market Township
Highland County
4641 US Route 62
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of New Market Township, Highland County, (the Township) as of and for the years ended December 31, 2012 and 2011 and the related notes to the financial statements, and have issued our report thereon dated September 25, 2013, wherein we noted the Township followed accounting and financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, described in Note 1 and implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 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 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 deficiencies in internal control 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 instances of noncompliance or other matters we must report under Government Auditing Standards which are described in the accompanying schedule of findings as items 2012-001 through 2012-003.

Purpose of this Report

This report only describes the scope of our internal control testing 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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
September 25, 2013

**NEW MARKET TOWNSHIP
HIGHLAND COUNTY
DECEMBER 31, 2012 AND 2011
SCHEDULE OF FINDINGS**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Material Non-Compliance

Ohio Rev. Code, Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

This section also provides two “exceptions” to the above requirements:

A. Then and Now Certificate – If the fiscal officer can certify that both at the time That the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment or the amount due. The Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 maybe paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

B. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any on particular line item appropriation.

C. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The availability of funds was not certified prior to obligation for one instance in 2012. The Township also could not find the approved purchase orders for 2011. Failure to properly certify funds could result in overspending and negative fund balances.

The Township should certify purchases to which 5705.41 (D) applies. The most convenient method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Client Response: The Township chose not to respond to this finding.

**NEW MARKET TOWNSHIP
HIGHLAND COUNTY
DECEMBER 31, 2012 AND 2011
SCHEDULE OF FINDINGS**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-002

Material Non-compliance

Ohio Rev. Code, Section 5705.39, states, in part, the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission. No appropriation measure shall become effective until the County Auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the total amounts certified by the budget commission.

The Township did not file the annual appropriation resolutions for 2012 and 2011 with the County Auditor. Therefore, the County Auditor could not issue the certificates. The appropriation amounts were also not listed in the minutes.

Failure to file the appropriation resolutions is a budgetary control weakness that could result in spending more than is available.

The Township should file the annual appropriation resolution with the County Auditor each year.

Client Response: The Township chose not to respond to this finding.

FINDING NUMBER 2012-003

Material Non-compliance

Ohio Rev. Code, Section 733.28 provides that the Township clerk shall keep the books of the Township, exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Township and income derived. In addition, Ohio Administrative Code Section 117-2-02(A) states that all public offices are required to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance related legal and contractual requirements, and prepare financial statements required by rule 117-2-03 of the administrative code.

During the audit period, it was noted that the Township could not locate purchase orders, W-2s or payroll registers for 2011.

Failure to provide accurate and complete financial information limits management's resources for decision making and can provide a false perception of the Township's financial position.

We recommend the Township ensure that proper documentation is maintained for all transactions of the Township. The Township should implement procedures to ensure that accounting records of the Township are accurate and complete.

Client Response: The Township chose not to respond to this finding.

**NEW MARKET TOWNSHIP
HIGHLAND COUNTY
DECEMBER 31, 2012 AND 2011**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-001	OAC Section 117-2-02 (C)(1) – integration of budgetary accounts	Yes	Corrected
2010-002	ORC Section 5705.39 – obtaining “does not exceed” certificates	No	Reissued as finding 2012-002
2010-003	Material Weakness – Controls over Financial Reporting	Yes	Corrected



Dave Yost • Auditor of State

NEW MARKET TOWNSHIP

HIGHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 5, 2013**