

NEWTON TOWNSHIP
LICKING COUNTY
REGULAR AUDIT
JANUARY 1, 2010 – DECEMBER 31, 2011





Dave Yost • Auditor of State

Board of Trustees
Newton Township
3579 Chestnut Hills Road
Newark, Ohio 43055

We have reviewed the *Independent Auditors' Report* of Newton Township, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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. Newton 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

May 24, 2012

This page intentionally left blank.

**NEWTON TOWNSHIP
LICKING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types and Agency Fund - For the Year Ended December 31, 2011.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types and Agency Fund - For the Year Ended December 31, 2010.....	4
Notes to the Financial Statements.....	5
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	12
Schedule of Findings.....	14
Schedule of Prior Audit Findings.....	17

This page intentionally left blank.



INDEPENDENT AUDITORS' REPORT

Newton Township
Licking County
3579 Chestnut Hills Road
Newark, Ohio 43055

To the Board of Trustees:

We have audited the accompanying financial statements of Newton Township, Licking County, (the Township) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements or the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of Newton Township, Licking County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Wilson, Shuman & Snow, Inc.

March 28, 2012

**NEWTON TOWNSHIP
LICKING COUNTY**

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

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Agency	
Cash Receipts:						
Local Taxes	\$ 60,697	\$ 284,843	\$ -	\$ -	\$ -	\$ 345,540
Intergovernmental	62,294	147,490	-	236,306	-	446,090
Special Assessments	4,090	-	-	-	-	4,090
Charges for Services	-	30,740	-	-	-	30,740
Licenses, Permits, and Fees	5,280	108,192	-	-	21,730	135,202
Fines, Forfeitures, and Penalties	-	12,024	-	-	-	12,024
Rent	10,200	-	-	-	-	10,200
Earnings on Investments	1,166	349	-	-	-	1,515
Other Revenue	1,593	16,547	-	-	-	18,140
Total Cash Receipts	145,320	600,185	-	236,306	21,730	1,003,541
Cash Disbursements:						
Current:						
General Government	112,509	-	-	-	-	112,509
Public Safety	-	122,073	-	-	-	122,073
Public Works	4,608	298,249	-	-	-	302,857
Health	23,956	116,265	-	-	-	140,221
Debt Service:						
Redemption of Principal	-	2,076	-	-	-	2,076
Capital Outlay	-	500,072	-	236,306	-	736,378
Total Cash Disbursements	141,073	1,038,735	-	236,306	-	1,416,114
Total Receipts Over (Under) Disbursements	4,247	(438,550)	-	-	21,730	(412,573)
Other Financing Receipts and (Disbursements):						
Proceeds from Sale of Public Debt:						
Loan Proceeds	-	20,760	-	-	-	20,760
Note Proceeds	-	154,530	-	-	-	154,530
Pre-arrangement of Interment Contract Reimbursements	-	-	-	-	(10,740)	(10,740)
Total Other Financing Receipts/(Disbursements)	-	175,290	-	-	(10,740)	164,550
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,247	(263,260)	-	-	10,990	(248,023)
Fund Cash Balances, January 1	161,635	886,436	61	-	149,080	1,197,212
Fund Cash Balances, December 31	\$ 165,882	\$ 623,176	\$ 61	\$ -	\$ 160,070	\$ 949,189

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

**NEWTON TOWNSHIP
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Agency</u>	
Cash Receipts:					
Local Taxes	\$ 61,441	\$ 283,981	\$ -	\$ -	\$ 345,422
Intergovernmental	60,501	154,305	-	-	214,806
Special Assessments	3,822	-	-	-	3,822
Charges for Services	-	29,610	-	-	29,610
Licenses, Permits, and Fees	4,583	120,017	-	14,065	138,665
Fines, Forfeitures, and Penalties	-	11,573	-	-	11,573
Rent	10,200	-	-	-	10,200
Earnings on Investments	1,425	436	-	-	1,861
Other Revenue	1,421	6,156	-	-	7,577
	<u>143,393</u>	<u>606,078</u>	<u>-</u>	<u>14,065</u>	<u>763,536</u>
Cash Disbursements:					
Current:					
General Government	111,140	-	-	-	111,140
Public Safety	-	112,827	-	-	112,827
Public Works	3,995	308,857	-	-	312,852
Health	29,900	117,369	-	-	147,269
Capital Outlay	5,983	68,915	-	-	74,898
	<u>151,018</u>	<u>607,968</u>	<u>-</u>	<u>-</u>	<u>758,986</u>
Total Receipts Over (Under) Disbursements	<u>(7,625)</u>	<u>(1,890)</u>	<u>-</u>	<u>14,065</u>	<u>4,550</u>
Other Financing Receipts and (Disbursements):					
Pre-arrangement of Interment Contract Reimbursements	-	-	-	(9,610)	(9,610)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,610)</u>	<u>(9,610)</u>
Total Other Financing Receipts/(Disbursements)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,610)</u>	<u>(9,610)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(7,625)	(1,890)	-	4,455	(5,060)
Fund Cash Balances, January 1	<u>169,260</u>	<u>888,326</u>	<u>61</u>	<u>144,625</u>	<u>1,202,272</u>
Fund Cash Balances, December 31	<u>\$ 161,635</u>	<u>\$ 886,436</u>	<u>\$ 61</u>	<u>\$ 149,080</u>	<u>\$ 1,197,212</u>

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

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 Newton Township, Licking County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services

The Township participates in the Ohio Government Risk Management Plan, a public entity risk pool. Note 7 to the financial statements provides additional information for this entity

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values its repurchase agreement 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.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for 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:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Cemetery Fund - This fund receives money from opening, closing and the sale of lots for the care of Township cemeteries.

Fire District Fund - This money receives taxes and intergovernmental money for fire protection of the Township persons and property.

3. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for the prepayments of opening and closing fees for future burials.

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.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

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

	2011	2010
Demand deposits	\$50,000	\$50,000
Total deposits	50,000	50,000
Repurchase agreement	899,189	1,147,212
Total investments	899,189	1,147,212
Total deposits and investments	\$949,189	\$1,197,212

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

Investments: The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

3. Budgetary Activity

Budgetary activity for the years ending 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$127,175	\$145,320	\$18,145
Special Revenue	595,953	775,475	179,522
Capital Projects	0	236,306	236,306
Agency	12,000	21,730	9,730
Total	\$735,128	\$1,178,831	\$443,703

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$288,810	\$141,073	\$147,737
Special Revenue	1,482,389	1,038,735	443,654
Debt Service	61	0	61
Capital Projects	0	236,306	(236,306)
Agency	161,080	10,740	150,340
Total	\$1,932,340	\$1,426,854	\$505,486

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$128,352	\$143,393	\$15,041
Special Revenue	591,320	606,078	14,758
Agency	12,000	14,065	2,065
Total	\$731,672	\$763,536	\$31,864

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$297,612	\$151,018	\$146,594
Special Revenue	1,297,432	607,968	689,464
Debt Service	61	0	61
Agency	156,625	9,610	147,015
Total	\$1,751,730	\$768,596	\$983,134

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Special Revenue – Fire Fund, Special Revenue – Road and Bridge Fund, and the Capital Projects – Issue II Fund by \$154,530, \$20,760, and \$236,306, respectively, for the year ended December 31, 2011. The Township did not also comply with Ohio Administrative Code 117-2-02 (A), Ohio Revised Code 5705.36(A), or Ohio Revised Code Section 5705.40 for the funds identified for the year ended December 31, 2011.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note	\$154,530	4.86%
Ohio Public Works Commission Loan	18,684	0.00%
Total	<u><u>\$173,214</u></u>	

The Township issued a \$154,530 general obligation note to finance the purchase of a new fire truck and equipment for Township fire protection. The note will mature in 2014 and is collateralized by the Township's taxing authority. The Township also secured a \$20,760 loan through the Ohio Public Works Commission for the Preston Road rehabilitation. This loan will mature in 2016 and is collateralized by the Township's taxing authority.

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

Year ending December 31:	General	Ohio Public Works Commission Loan	Total
	<u>Obligation Note</u>	<u>Loan</u>	<u>Total</u>
2012	\$55,353	\$4,152	\$59,505
2013	55,353	4,152	59,505
2014	55,352	4,152	59,504
2015	0	4,152	4,152
2016	0	2,076	2,076
Total	<u><u>\$166,058</u></u>	<u><u>\$18,684</u></u>	<u><u>\$184,742</u></u>

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

6. Retirement Systems

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

For 2011 and 2010, 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, 2011.

7. Risk Management

Risk Pool Membership

Prior to 2009, the Township belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Township does not participate in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

7. Risk Management (Continued)

These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Township does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRRM and OPHC:

	2010		2009	
	<u>OPRM</u>	<u>OPHC</u>	<u>OPRM</u>	<u>OPHC</u>
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	\$7,191,485	\$300,035	\$6,323,701	\$105,185

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan



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

Newton Township
Licking County
3579 Chestnut Hills Road
Newark, Ohio 43055

To the Board of Trustees:

We have audited the financial statements of Newton Township, Licking County, Ohio (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated March 28, 2012, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-01 to be a significant deficiency. 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.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

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, providing an opinion 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 2011-02 and 2011-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated March 28, 2012.

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

We intend this report solely for the information and use of management, Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.

Wilson, Shuman & Snow, Inc.

March 28, 2012

**NEWTON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

Finding Number	2011-01
-----------------------	----------------

Financial Statement Presentation - Significant Deficiency

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements.

The Fiscal Officer did not always accurately post receipts and disbursements to the Township's accounting system and financial statements. The following posting errors were noted:

- In the Agency Fund in 2011 and 2010, \$21,730 and \$14,065, respectively, were reclassified from Miscellaneous Receipts to License, Permits and Fees for prepaid burial fees.
- In the Agency Fund in 2011 and 2010, \$10,740 and \$9,610, respectively, were reclassified from transfers to Pre-arrangement Interment Contract Reimbursements to properly present charges for services between funds.
- In the General Fund in 2011 and 2010, \$14,310 and \$13,227, respectively, were reclassified from Miscellaneous Receipts to Rent and Licenses and Permits.
- In the Road and Bridge Fund in 2011, \$2,076 was reclassified from the Public Works expenditure line item to Principal Retirement to properly reflect a principal payment for the Township's Ohio Public Works Loan.
- In the Cemetery Operating Fund in 2011 and 2010, \$92,092 and \$102,742, respectively, were reclassified from Miscellaneous Receipts and to Licenses, Permits and Fees for opening and closing burial fees.
- We also noted adjustments within the Fire Fund, Road and Bridge Fund, and the Issue II Fund which have been reported under Finding 2011-02.

Not posting receipts and disbursements accurately to the ledgers resulted in the financial statements requiring audit reclassifications and adjustments; furthermore, inaccurate accounting records could make it difficult for the Board of Trustees to effectively monitor the Township's activities or identify misstatements or errors in a timely manner. We recommend the Township's Fiscal Officer takes steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions and Ohio Township Handbook.

Officials Response: The Township's Fiscal Officer has already implemented procedures recommended in the audit report. The Fiscal Officer has taken steps to ensure accurate posting of all transactions to ledgers in accordance with the Uniform Accounting Network.

**NEWTON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

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

Finding Number	2011-02
-----------------------	----------------

Recording and Budgeting On-Behalf Transactions

Ohio Administrative Code Section 117-2-02 (A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Ohio Revised Code Section 5705.36(A)(3) allows all subdivisions to request an increased amended certificate of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount in the official certificate. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

Ohio Revised Code Section 5705.40 requires that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation.

During 2011, the Board of Trustees entered into an agreement with a local financial institution totaling \$154,530 for the purpose of purchasing a fire rescue vehicle. The financial institution made the check payable directly to the vendor. The Township Fiscal Officer did not post the debt proceeds or the capital outlay expenditure to its financial records. As a result, receipts and disbursements were understated within the Township's financial records and financial statements for 2011.

In addition, during 2011 the Township entered into an agreement with the Ohio Public Works Commission for the Preston Road Rehabilitation Project noting the Township did not properly record the debt proceeds of \$20,760, intergovernmental revenues of \$236,306, or the corresponding capital outlay expenditures contrary to Auditor of State Bulletin 2002-004. As a result, receipts and disbursements were understated within the Township's financial records and financial statements for 2011.

Additionally, the Township Fiscal Officer did not obtain an amended certificate for the proceeds of the loan, the intergovernmental revenue, and the Township Trustees did not amend appropriations for the amounts identified.

Adjustments with which the Township agrees are reflected in the accompanying financial statements. This also resulted in violation of Ohio Revised Code Section 5705.41(B) within the Special Revenue Road Bridge Fund, the Special Revenue Fire Fund, and the Capital Projects Issue II Fund as this activity was not budgeted by the Township Trustees. (See Finding No. 2011-03).

We recommend the Township Fiscal Officer record all debt proceeds and the corresponding expenditures in the Township's books.

Officials Response: The Township Trustees and Fiscal Officer have discussed this matter in detail with audit officials and have accepted all recommendations and implemented new procedures to ensure all department proceeds and corresponding expenditures are recorded properly.

**NEWTON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

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

Finding Number	2011-03
-----------------------	----------------

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. We noted the following funds which had expenditures exceeding appropriations at December 31, 2011:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Noncompliance</u>
Special Revenue – Fire Fund – Capital Outlay	\$154,530	\$0	(\$154,530)
Special Revenue – Road and Bridge Fund – Capital Outlay	20,760	0	(\$20,760)
Capital Projects – Issue II Fund – Capital Outlay	236,306	0	(\$236,306)

We recommend that the Township comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary. Furthermore, the Township should record all financial transactions which are paid on-behalf of the Township during the year within its accounting records and budget such amounts as described in Finding Number 2011-02.

Officials Response: The Township Trustees and Fiscal Officer have agreed with audit recommendations to more closely monitor the budget pertaining to appropriations and making amendments as necessary.

**NEWTON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-01	Financial Statement Presentation.	No	Repeated as Finding 2011-01.
2009-02	Ohio Revised Code Section 5705.41(D) requires timely certification of expenditure.	Yes	NA.

This page intentionally left blank.



Dave Yost • Auditor of State

NEWTON TOWNSHIP

LICKING 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
JUNE 7, 2012**