

NEWTON TOWNSHIP
LICKING COUNTY
REGULAR AUDIT
JANUARY 1, 2012 – DECEMBER 31, 2013





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Newton Township, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2012 through December 31, 2013. 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. 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

June 26, 2014

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**NEWTON TOWNSHIP
LICKING COUNTY**

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Newton Township, Licking County, (the Township) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our audit 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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Newton Township
Licking County
Independent Auditor's Report

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, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Newton Township, Licking County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2014 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.

Wilson, Shuman & Snow, Inc.

June 10, 2014
Newark, Ohio

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, 2013**

| | <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 | \$ 60,902 | \$ 383,554 | \$ 55,400 | \$ - | \$ 499,856 |
| Intergovernmental | 171,578 | 177,983 | - | - | 349,561 |
| Special Assessments | 3,883 | - | - | - | 3,883 |
| Charges for Services | - | 30,000 | - | - | 30,000 |
| Licenses, Permits, and Fees | 2,048 | 109,975 | - | 14,375 | 126,398 |
| Earnings on Investments | 914 | 262 | - | - | 1,176 |
| Other Revenue | 15,878 | 38,819 | - | - | 54,697 |
| | <u>255,203</u> | <u>740,593</u> | <u>55,400</u> | <u>14,375</u> | <u>1,065,571</u> |
| Total Cash Receipts | | | | | |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 114,581 | - | - | - | 114,581 |
| Public Safety | - | 316,068 | - | - | 316,068 |
| Public Works | 105,729 | 253,468 | - | - | 359,197 |
| Health | 61,333 | 117,821 | - | - | 179,154 |
| Debt Service: | | | | | |
| Redemption of Principal | - | 53,206 | 51,674 | - | 104,880 |
| Interest and Fiscal Charges | - | - | 3,834 | - | 3,834 |
| Capital Outlay | - | 60,360 | - | - | 60,360 |
| | <u>281,643</u> | <u>800,923</u> | <u>55,508</u> | <u>-</u> | <u>1,138,074</u> |
| Total Cash Disbursements | | | | | |
| Total Receipts Over (Under) Disbursements | <u>(26,440)</u> | <u>(60,330)</u> | <u>(108)</u> | <u>14,375</u> | <u>(72,503)</u> |
| Other Financing Disbursements: | | | | | |
| Pre-arrangement of Interment Contract Reimbursements | - | - | - | (11,100) | (11,100) |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>(11,100)</u> | <u>(11,100)</u> |
| Total Other Financing Disbursements | | | | | |
| Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (26,440) | (60,330) | (108) | 3,275 | (83,603) |
| Fund Cash Balances, January 1 | <u>132,545</u> | <u>704,279</u> | <u>108</u> | <u>165,630</u> | <u>1,002,562</u> |
| Fund Cash Balances, December 31 | <u>\$ 106,105</u> | <u>\$ 643,949</u> | <u>\$ -</u> | <u>\$ 168,905</u> | <u>\$ 918,959</u> |
| Fund Cash Balances, December 31 | | | | | |
| Restricted | \$ - | \$ 643,949 | \$ - | | \$ 643,949 |
| Assigned | 106,105 | - | - | | 106,105 |
| Fund Cash Balances, December 31 | <u>\$ 106,105</u> | <u>\$ 643,949</u> | <u>\$ -</u> | | <u>\$ 750,054</u> |

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, 2012**

| | <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 | \$ 60,061 | \$ 376,835 | \$ 55,400 | \$ - | \$ 492,296 |
| Intergovernmental | 33,438 | 175,560 | - | - | 208,998 |
| Special Assessments | 4,128 | - | - | - | 4,128 |
| Charges for Services | - | 20,000 | - | - | 20,000 |
| Licenses, Permits, and Fees | 1,502 | 123,324 | - | 17,375 | 142,201 |
| Earnings on Investments | 1,138 | 333 | - | - | 1,471 |
| Other Revenue | 14,266 | 33,340 | - | - | 47,606 |
| | <u>114,533</u> | <u>729,392</u> | <u>55,400</u> | <u>17,375</u> | <u>916,700</u> |
| Total Cash Receipts | | | | | |
| | <u>114,533</u> | <u>729,392</u> | <u>55,400</u> | <u>17,375</u> | <u>916,700</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 120,151 | - | - | - | 120,151 |
| Public Safety | - | 279,832 | - | - | 279,832 |
| Public Works | 5,147 | 189,883 | - | - | 195,030 |
| Health | 22,183 | 117,851 | - | - | 140,034 |
| Debt Service: | | | | | |
| Redemption of Principal | - | 18,684 | 49,650 | - | 68,334 |
| Interest and Fiscal Charges | - | - | 5,703 | - | 5,703 |
| Capital Outlay | 389 | 42,039 | - | - | 42,428 |
| | <u>147,870</u> | <u>648,289</u> | <u>55,353</u> | <u>-</u> | <u>851,512</u> |
| Total Cash Disbursements | | | | | |
| | <u>147,870</u> | <u>648,289</u> | <u>55,353</u> | <u>-</u> | <u>851,512</u> |
| Total Receipts Over (Under) Disbursements | <u>(33,337)</u> | <u>81,103</u> | <u>47</u> | <u>17,375</u> | <u>65,188</u> |
| Other Financing Disbursements: | | | | | |
| Pre-arrangement of Interment Contract Reimbursements | - | - | - | (11,815) | (11,815) |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>(11,815)</u> | <u>(11,815)</u> |
| Total Other Financing Disbursements | | | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>(11,815)</u> | <u>(11,815)</u> |
| Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | <u>(33,337)</u> | <u>81,103</u> | <u>47</u> | <u>5,560</u> | <u>53,373</u> |
| Fund Cash Balances, January 1 | <u>165,882</u> | <u>623,176</u> | <u>61</u> | <u>160,070</u> | <u>949,189</u> |
| Fund Cash Balances, December 31 | <u>\$ 132,545</u> | <u>\$ 704,279</u> | <u>\$ 108</u> | <u>\$ 165,630</u> | <u>\$ 1,002,562</u> |
| Fund Cash Balances, December 31 | | | | | |
| Restricted | \$ - | \$ 704,279 | \$ 108 | | \$ 704,387 |
| Assigned | 132,545 | - | - | | 132,545 |
| Fund Cash Balances, December 31 | <u>\$ 132,545</u> | <u>\$ 704,279</u> | <u>\$ 108</u> | | <u>\$ 836,932</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, 2013 AND 2012**

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 Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 6 to the financial statements provide 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 reports 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, 2013 AND 2012
(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. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Debt Service Fund - This money receives property taxes for the retirement of debt.

4. 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.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 carried over, and need not be reappropriated.

A summary of 2013 and 2012 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.

H. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

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

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance (Continued)

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.

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:

| | 2013 | 2012 |
|--------------------------------|-----------|-------------|
| Demand deposits | \$3,243 | \$28,029 |
| Repurchase agreement | 915,716 | 974,533 |
| Total deposits and investments | \$918,959 | \$1,002,562 |

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

Investments: The Township investment is not evidenced by securities that exist in physical or book-entry form.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|----------------|
| General | \$253,171 | \$255,203 | \$2,032 |
| Special Revenue | 736,336 | 740,593 | 4,257 |
| Debt Service | 56,000 | 55,400 | (600) |
| Agency | 15,000 | 14,375 | (625) |
| Total | <u>\$1,060,507</u> | <u>\$1,065,571</u> | <u>\$5,064</u> |

2013 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|----------------------------|---------------------------|------------------|
| General | \$385,716 | \$281,643 | \$104,073 |
| Special Revenue | 1,440,614 | 800,923 | 639,691 |
| Debt Service | 56,108 | 55,508 | 600 |
| Agency | 180,630 | 11,100 | 169,530 |
| Total | <u>\$2,063,068</u> | <u>\$1,149,174</u> | <u>\$913,894</u> |

2012 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|-----------------|
| General | \$120,037 | \$114,533 | (\$5,504) |
| Special Revenue | 767,659 | 729,392 | (38,267) |
| Debt Service | 0 | 55,400 | 55,400 |
| Agency | 15,000 | 17,375 | 2,375 |
| Total | <u>\$902,696</u> | <u>\$916,700</u> | <u>\$14,004</u> |

2012 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|----------------------------|---------------------------|------------------|
| General | \$285,919 | \$147,870 | \$138,049 |
| Special Revenue | 1,335,436 | 648,289 | 687,147 |
| Debt Service | 55,461 | 55,353 | 108 |
| Agency | 175,070 | 11,815 | 163,255 |
| Total | <u>\$1,851,886</u> | <u>\$863,327</u> | <u>\$988,559</u> |

The Township had appropriations which exceeded estimated resources contrary to Ohio Revised Code Section 5705.39 for the Debt Service Fund at December 31, 2012.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

4. PROPERTY TAX

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

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

5. RETIREMENT SYSTEMS

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For years ended December 31, 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

6. RISK MANAGEMENT

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

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.

OPRM coverage programs 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 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

**NEWTON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

6. RISK MANAGEMENT (Continued)

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, 2012 and 2011 (the latest information available).

| | <u>2012</u> | <u>2011</u> |
|-----------------|--------------------|--------------------|
| Assets | \$13,100,381 | \$12,501,280 |
| Liabilities | <u>(6,687,193)</u> | <u>(5,328,761)</u> |
| Members' Equity | <u>\$6,413,188</u> | <u>\$7,172,519</u> |

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



**INDEPENDENT AUDITOR'S 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, 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 Newton Township, Licking County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 10, 2014 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2013-01 to be a significant deficiency.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-02.

Township's Response to Findings

The Township's responses to the finding 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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Sherman & Snow, Inc.

June 10, 2014
Newark, Ohio

**NEWTON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

| | |
|----------------|---------|
| Finding Number | 2013-01 |
|----------------|---------|

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 disbursements to the Township’s accounting system and financial statements. The following posting errors were noted:

- In the Road and Bridge Fund, Special Revenue Fund Type, in 2012, \$18,684 was reclassified from Public Works expenditures to the redemption of principal to properly reflect a principal payment for the Township’s Ohio Public Works Loan.
- In the Debt Service Fund in 2013 and 2012, debt service interest of \$3,834 and \$5,703 was reclassified from the redemption of principal related to the retirement of debt service.
- In the Fire Fund, Special Revenue Fundy Type, \$53,206 was reclassified from capital outlay to the redemption of principal specific to the fire truck loan.

Not posting 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 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 will review its procedures for posting disbursements.

| | |
|----------------|---------|
| Finding Number | 2013-02 |
|----------------|---------|

Ohio Revised Code Section 5705.39 requires that a subdivision’s total appropriations from each fund should not exceed the total estimated resources. The following fund had appropriations exceeding estimated resources at December 31, 2012:

| <u>Fund</u> | <u>Appropriations</u> | <u>Estimated Resources</u> | <u>Noncompliance</u> |
|-------------------|-----------------------|----------------------------|----------------------|
| Debt Service Fund | \$55,461 | \$61 | (\$55,400) |

With appropriations exceeding estimated resources the Township may spend more funds than in the Treasury or process of collection and cause fund deficits. We recommend that the Township monitor the original budget to determine compliance with the Ohio Revised Code when the original budget is adopted.

Official’s Response: The Township will monitor estimated resources to ensure compliance with the Ohio Revised Code.

**NEWTON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|---|
| 2011-01 | Financial Statement Presentation. | No | Repeated as Finding 2013-01. |
| 2011-02 | Recording and Budgeting On-Behalf Transactions. | Yes | NA. |
| 2011-03 | Ohio Revised Code Section 5705.41(B) – Expenditures exceeding Appropriations. | Yes | NA. |

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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
JULY 8, 2014**