



Dave Yost • Auditor of State

NEWPORT TOWNSHIP
WASHINGTON COUNTY

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Dave Yost • Auditor of State

Newport Township
Washington County
30875 State Route 7
Marietta, OH 45750

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Dave Yost
Auditor of State

July 30, 2012

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Dave Yost • Auditor of State

Newport Township
Washington County
30875 State Route 7
Marietta, OH 45750

To the Board of Trustees:

We have audited the accompanying financial statements of Newport Township, Washington County, Ohio (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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 of 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.

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 Newport Township, Washington County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 Newport Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 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.



Dave Yost
Auditor of State

July 30, 2012

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

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

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 37,749	\$ 119,763	\$ 0	\$ 157,512
Intergovernmental	44,495	175,910		220,405
Special Assessments		8,688		8,688
Earnings on Investments	320			320
Miscellaneous	588	4,370		4,958
	<u>83,152</u>	<u>308,731</u>	<u>0</u>	<u>391,883</u>
Total Cash Receipts				
Cash Disbursements				
Current:				
General Government	115,960	2,822		118,782
Public Safety		113,631		113,631
Public Works		146,359		146,359
Health	2,950	210		3,160
Human Services	2,500			2,500
Capital Outlay	9,000	731		9,731
	<u>130,410</u>	<u>263,753</u>	<u>0</u>	<u>394,163</u>
Total Cash Disbursements				
Excess of Cash Receipts Over (Under) Cash Disbursements	(47,258)	44,978	0	(2,280)
Fund Cash Balances, January 1	<u>260,328</u>	<u>39,646</u>	<u>1,702</u>	<u>301,676</u>
Fund Cash Balances, December 31				
Nonspendable			1,645	1,645
Restricted		84,624	57	84,681
Unassigned (Deficit)	<u>213,070</u>			<u>213,070</u>
Fund Cash Balances, December 31	<u>\$ 213,070</u>	<u>\$ 84,624</u>	<u>\$ 1,702</u>	<u>\$ 299,396</u>

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

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts				
Property and Other Local Taxes	\$ 34,464	\$ 116,173	\$ 0	\$ 150,637
Licenses, Permits and Fees	1,930			1,930
Intergovernmental	226,809	163,860		390,669
Special Assessments		7,532		7,532
Earnings on Investments	448			448
Miscellaneous	7,450	2,448		9,898
Total Cash Receipts	271,101	290,013	0	561,114
Cash Disbursements				
Current:				
General Government	88,019	1,980		89,999
Public Safety		125,486		125,486
Public Works		166,745		166,745
Health	12,100	699		12,799
Human Services	37			37
Capital Outlay	61,630	966		62,596
Total Cash Disbursements	161,786	295,876	0	457,662
Excess of Cash Receipts Over/(Under) Cash Disbursements	109,315	(5,863)	0	103,452
Fund Cash Balances, January 1	151,013	45,509	1,702	198,224
Fund Cash Balances, December 31	\$ 260,328	\$ 39,646	\$1,702	\$ 301,676

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

**NEWPORT TOWNSHIP
WASHINGTON 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 Newport Township, Washington 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 contracts with the Newport Volunteer Fire Company, Inc. to provide fire services and emergency medical services.

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

The Township had one primary, interest bearing checking account during the audit period and one certificate of deposit which was valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is 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 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 for constructing, maintaining, and repairing Township roads.

Fire and Rescue, Ambulance and EMS Serv. Fund - This fund receives levy money for emergency medical services.

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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:

Permanent Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's 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 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 2011 and 2010 budgetary activity appears in Note 4.

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

For December 31, 2011, 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.

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.

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

G. 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.

H. 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. Change in Accounting Principle

For fiscal year 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

3. Equity in Pooled Deposits

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

	2011	2010
Demand deposits	\$127,169	\$129,563
Certificates of deposit	172,227	172,113
Total deposits	\$299,396	\$301,676

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$90,000	\$83,152	(\$6,848)
Special Revenue	298,783	308,731	9,948
Permanent	3	0	(3)
Total	\$388,786	\$391,883	\$3,097

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

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

4. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$348,403	\$130,410	\$217,993
Special Revenue	340,456	263,753	76,703
Permanent	0	0	0
Total	\$688,859	\$394,163	\$294,696

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$264,818	\$271,101	\$6,283
Special Revenue	292,946	290,013	(2,933)
Permanent	3	0	(3)
Total	\$557,767	\$561,114	\$3,347

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$185,900	\$161,786	\$24,114
Special Revenue	343,567	295,876	47,691
Permanent	0	0	0
Total	\$529,467	\$457,662	\$71,805

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority at the legal level of control in several line items in the General Fund and the Motor Vehicle License Tax Fund and Gasoline Tax Fund, Special Revenue Fund type, at December 31, 2010. Also, budgetary expenditures exceeded appropriation authority at the legal level of control in several line items in the General Fund and the Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund and Special Levy-Fire Fund, Special Revenue Fund type at December 31, 2011.

5. 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.

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

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

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. 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

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

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

7. Risk Management (Continued)

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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.

<u>Contributions to OTARMA</u>	
2011	2010
\$3,177	\$3,720

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.

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Dave Yost • Auditor of State

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

Newport Township
Washington County
30875 State Route 7
Marietta, OH 45750

To the Board of Trustees:

We have audited the financial statements of Newport Township, Washington County Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 30, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and has adopted Governmental Accounting Standards Board Statement No. 54. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting, that we consider to be a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-03, described in the accompanying Schedule of Findings, to be a material weakness.

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 2011-01 through 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 30, 2012.

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



Dave Yost
Auditor of State

July 30, 2012

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

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

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

FINDING NUMBER 2011-01

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

The following funds/line items were found to have expenditures in excess of appropriations at the legal level of control at December 31:

Year End	Fund/Line Item	Appropriation Authority	Budgetary Expenditures	Variance
2011	1000-110-221	\$50,000	\$51,242	(\$1,242)
	1000-590-590	1,000	2,500	(1,500)
	2011-110-212	32	558	(526)
	2021-110-213	0	618	(618)
	2031-330-211	923	1,513	(590)
	2191-110-314	158	827	(669)

Year End	Fund/Line Item	Appropriation Authority	Budgetary Expenditures	Variance
2010	1000-110-213	\$309	\$2,989	(\$2,680)
	1000-110-222	1,200	28,842	(27,642)
	1000-110-229	500	1,050	(550)
	1000-190-360	0	4,965	(4,965)
	1000-760-740	20,000	61,631	(41,631)
	2011-110-212	128	558	(430)
	2011-330-221	0	600	(600)
	2021-110-213	0	659	(659)

The non-monitoring of budgetary expenditures could cause the Township to spend more than is available to spend.

We recommend the Fiscal Officer monitor budgetary expenditures and appropriations and ensure that the total expenditures from each fund shall not exceed the total appropriations.

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

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

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2011-02

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment 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. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "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 of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be 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.
2. Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. 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 reasonably 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 Township did not properly certify the availability of funds prior to purchase commitment for thirty-three percent of the expenditures tested in 2010. Although the Township marked these exceptions as having "Then and Now" Certificates, there was no evidence that each transaction in excess of \$3,000 had the payment approved by ordinance or resolution. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Additionally, the Township utilized "blanket" certificates and did not establish a threshold for such certificates.

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

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

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2011-02 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Township Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used. The Township utilized then and now certificates in a majority of their purchase orders. Then and now certificates are to be used only for exceptions.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. We also recommend that the Board of Trustees establish a threshold for "blanket" certificates and only use then and now certificates as the exception.

FINDING NUMBER 2011-03

Material Weakness

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, we noted the following errors in the financial statements that required audit reclassification or adjustment:

2010

- Property tax reimbursement posted to taxes instead of intergovernmental revenue in the General Fund (\$6,561), Road and Bridge Fund (\$3,936), Special Levy - Fire Fund (\$5,936), and Fire and Rescue, Ambulance and EMS Serv. Fund (\$625);
- Property tax replacement posted to taxes instead of intergovernmental revenue in the General Fund (\$115), Road and Bridge Fund (\$69), Special Levy - Fire Fund (\$38), and Fire and Rescue, Ambulance and EMS Serv. Fund (\$77);
- Motor vehicle license tax monies in the amount of \$21,953 posted to taxes instead of intergovernmental revenue in the Motor Vehicle License Tax Fund;
- National Forest monies posted to taxes instead of intergovernmental revenue in the amount of \$954 in the General Fund;
- Permissive sales tax in the amount of \$27,177 was not posted to the Township's ledgers;
- Estate taxes were posted at net instead of gross in the General Fund (\$4,254);
- A personal property tax settlement was posted entirely to the General Fund at net instead of at gross to the Road and Bridge Fund (\$42), Special Levy - Fire Fund (\$71), and Fire and Rescue, Ambulance and EMS Serv. Fund (\$142); and
- Local government monies in the amount of \$2,119 was posted to the Gasoline Tax Fund instead of the General Fund.

NEWPORT TOWNSHIP
WASHINGTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2011-03 (Continued)

Material Weakness (Continued)

2011

- Property tax reimbursement posted to taxes instead of intergovernmental revenue in the General Fund (\$951), Road and Bridge Fund (\$571) and Special Levy - Fire Fund (\$951);
- Property tax replacement posted to taxes instead of intergovernmental revenue in the General Fund (\$4,091), Road and Bridge Fund (\$2,386), Special Levy - Fire Fund (\$4,014), and Fire and Rescue, Ambulance and EMS Serv. Fund (\$77);
- Homestead and rollback posted to taxes instead of intergovernmental revenue in the General Fund (\$2,879), Road and Bridge Fund (\$1,781), Special Levy - Fire Fund (\$2,433) and Fire and Rescue, Ambulance and EMS Serv. Fund (\$4,867);
- National Forest monies posted to other instead of intergovernmental revenue in the amount of \$1,332 in the General Fund;
- Permissive sales tax in the amount of \$17,447 posted to taxes instead of intergovernmental revenue in the Permissive Sales Tax Fund;
- Permissive sales tax in the amount of \$23,375 was not posted to the Township's ledgers;
- Insurance refund posted to taxes instead of miscellaneous revenue in the the General Fund (\$583);
- \$2,655 and \$796 of a real estate settlement was posted to the General Fund instead of the Fire and Rescue, Ambulance and EMS Serv. Fund and Road and Bridge Fund, respectively; and
- \$2,655 of a real estate settlement was posted to intergovernmental revenue instead of taxes in the Fire and Rescue, Ambulance and EMS Serv. Fund.

These misstatements were caused by management oversight. As a result, significant reclassifications and adjustments, with which the Township's management agrees, were made to the financial statements, and are reflected in the accompanying financial statements.

We recommend the Fiscal Officer refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts and expenditures.

Official's Response: The Township officials chose not to respond to anything in the Schedule of Findings.

**NEWPORT TOWNSHIP
WASHINGTON 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>
2009-001	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.36(A)(4) for appropriations exceeding actual resources during 2009 and 2008.	Yes	Fully Corrected.
2009-002	A material weakness was issued for budgetary amounts approved by the Board of Trustees and Budget Commission not agreeing to amounts posted to the Township's accounting system for 2009 and 2008.	No	Reissued in Management Letter.
2009-003	A material weakness was issued for the missposting of receipts during 2009 and 2008.	No	Reissued in Report as item 2011-03.

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Dave Yost • Auditor of State

NEWPORT TOWNSHIP

WASHINGTON 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
AUGUST 16, 2012**