



Mary Taylor, CPA
Auditor of State

NEWPORT TOWNSHIP
WASHINGTON COUNTY

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Mary Taylor, CPA

Auditor of State

Newport Township
Washington County
30875 State Route 7
Marietta, Ohio 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.

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Mary Taylor, CPA
Auditor of State

August 26, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Newport Township
Washington County
30875 State Route 7
Marietta, Ohio 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, 2007 and 2006. 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(B) and 115.56 mandate 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, 2007 and 2006 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, 2007 and 2006, 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 of Newport Township, Washington County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2008, 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

August 26, 2008

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts:				
Property and Other Local Taxes	\$44,337	\$69,345		\$113,682
Intergovernmental	69,564	172,700		242,264
Special Assessments		7,638		7,638
Licenses, Permits, and Fees	2,018			2,018
Earnings on Investments	3,700	115	\$3	3,818
Miscellaneous	926	3,390		4,316
	120,545	253,188	3	373,736
Cash Disbursements:				
Current:				
General Government	70,021	2,162		72,183
Public Safety		49,418		49,418
Public Works		201,799		201,799
Health		6,506		6,506
Capital Outlay		449		449
	70,021	260,334	0	330,355
Total Cash Receipts Over/(Under) Cash Disbursements	50,524	(7,146)	3	43,381
Fund Cash Balances, January 1	122,609	72,543	1,670	196,822
Fund Cash Balances, December 31	\$173,133	\$65,397	\$1,673	\$240,203

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 CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$45,621	\$70,898		\$116,519
Intergovernmental	39,482	154,202		193,684
Special Assessments		7,491		7,491
Charges for Services	2,059			2,059
Earnings on Investments	352	158	\$3	513
Miscellaneous	379	9,978		10,357
	<u>87,893</u>	<u>242,727</u>	<u>3</u>	<u>330,623</u>
Cash Disbursements:				
Current:				
General Government	75,732	2,309		78,041
Public Safety		49,311		49,311
Public Works		193,921		193,921
Health		10,416		10,416
Capital Outlay		300		300
	<u>75,732</u>	<u>256,257</u>	<u>0</u>	<u>331,989</u>
Total Cash Receipts Over/(Under) Cash Disbursements	12,161	(13,530)	3	(1,366)
Other Financing Receipts and (Disbursements):				
Advances-In	1,500	1,500		3,000
Advances-Out	(1,500)	(1,500)		(3,000)
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	12,161	(13,530)	3	(1,366)
Fund Cash Balances, January 1 (As Restated- See Note 2)	<u>110,448</u>	<u>86,073</u>	<u>1,667</u>	<u>198,188</u>
Fund Cash Balances, December 31	<u><u>\$122,609</u></u>	<u><u>\$72,543</u></u>	<u><u>\$1,670</u></u>	<u><u>\$196,822</u></u>

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

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 and fire protection. The Township contracts with Belpre Township to provide fire 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. Cash

The Township values certificates of deposit 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.

Permissive Sales Tax Fund - This fund receives funds from Washington County through the one-half percent sales tax for constructing, maintaining and repairing Township roads and bridges.

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(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:

Cemetery Bequest Fund - This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings can be 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 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 2007 and 2006 budgetary activity appears in Note 4.

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.

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. RESTATEMENT OF FUND BALANCES

For the year ended December 31, 2005, adjustments resulted in fund balance restatements as follows:

Governmental Funds:	Fund Balance at December 31, 2005	Restatement Amount	Fund Balance at January 1, 2006
General	\$ 109,220	\$ 1,228	\$ 110,448

This was due to the Fiscal Officer voiding checks that were not entered into the UAN system by the previous Fiscal Officer when the computer was put in use.

3. EQUITY IN POOLED CASH

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

	2007	2006
Demand deposits	\$ 186,878	\$ 146,822
Certificates of Deposit	53,325	50,000
Total deposits	\$ 240,203	\$ 196,822

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, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 95,000	\$ 120,545	25,545
Special Revenue	234,992	253,188	18,196
Permanent	0	3	3
Total	\$ 329,992	\$ 373,736	\$ 43,744

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 217,045	\$ 70,021	\$ 147,024
Special Revenue	281,725	260,334	21,391
Permanent	0	0	0
Total	\$ 498,770	\$ 330,355	\$ 168,415

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 90,017	\$ 89,393	\$ (624)
Special Revenue	225,468	244,227	18,759
Permanent		3	3
Total	\$ 315,485	\$ 333,623	\$ 18,138

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 187,569	\$ 77,232	\$ 110,337
Special Revenue	311,484	257,757	53,727
Permanent			0
Total	\$ 499,053	\$ 334,989	\$ 164,064

At December 31, 2007, the Township had expenditures in excess of appropriations in the Gasoline Tax Fund in the amount of \$28,206 and the Special Levy Fire Fund in the amount of \$418, contrary to Ohio Rev. Code Section 5705.41(B).

At December 31, 2006, the Township had expenditures in excess of appropriations in the Motor Vehicle License Tax Fund in the amount of \$142 and the Special Levy Fire Fund in the amount of \$10,311, contrary to Ohio Rev. Code Section 5705.41(B).

At June 30, 2006, the Township had expenditures in excess of appropriations in the Special Levy Fire Fund in the amount of \$4,760, contrary to Ohio Rev. Code Section 5705.41(B).

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, 2007 AND 2006
(Continued)**

6. RETIREMENT SYSTEM

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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. RISK MANAGEMENT (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$ 43,210,703	\$ 42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$ 29,852,866</u>	<u>\$ 29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$3,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

NEWPORT TOWNSHIP
WASHINGTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

7. RISK MANAGEMENT (Continued)

Contributions to OTARMA

2005	\$	3,541
2006		4,024
2007		3,201

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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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Mary Taylor, CPA

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, Ohio 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, 2007 and 2006, and have issued our report thereon dated August 26, 2008, 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 also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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(B) and 115.56 mandate 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-003 and 2007-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-003 and 2007-004 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated August 26, 2008.

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 that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 through 2007-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 26, 2008.

The Township's response to the findings identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

August 26, 2008

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Rev. Code Section 505.60(C) states that if any township officer or employee is denied coverage under a health care plan procured under division (B) of this Section or if any township officer or employee elects not to participate in the township's health care plan, the township may reimburse the officer or employee for each out of pocket premium that the officer or employee incurs for insurance policies described in division (A) of this Section that the officer or employee otherwise obtains, but not to exceed an amount equal to the average premium paid by the township for its officer and employees under policies it procures under division (B) of this Section.

Attorney General Opinion No. 2005-038 concluded that, pursuant to Ohio Rev. Code Section 505.60(C), a board of trustees may reimburse a township officer or employee for the out-of-pocket premiums attributable to that officer or employee for health care coverage under insurance policies described in Section 505.60(A) if the officer or employee is denied health care coverage under a policy procured by the township under Section 505.60(B), or if the officer or employee elects not to participate in the township's health care plan. The policies described in Section 505.60(A) do not include family coverage. Therefore, the township should not reimburse for premium costs attributable to the spouse or dependents of an officer or employee.

The Township reimbursed Township officials for family coverage for the years 2006 and 2007 which was in excess of the actual out-of-pocket premium expenses attributable to the township officials only in the total amount of \$11,008.

Our audits of townships during this audit period have revealed ambiguity in the interpretation of the health care reimbursement statutes, as demonstrated in the opinions of several prosecuting attorneys submitted to our office. In addition, legislation has been introduced and passed the Ohio House of Representatives to extend reimbursement to township officials and employees for premiums for family coverage. Therefore, we will not issue Findings for Recovery for these expenditures during the 2006-2007 audit period.

We recommend the Township revise its health care premium reimbursement policy to limit reimbursement to amounts attributable to township officials and employees only, unless and until HB 458 is passed by the legislature and becomes law.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Expenditures exceeded appropriations at December 31, 2007, in the following funds:

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-002 (Continued)

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

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Gasoline Tax	\$76,200	\$104,406	(\$28,206)
Special Levy - Fire	49,000	49,418	(418)

Expenditures exceeded appropriations at December 31, 2006, in the following funds:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Motor Vehicle License Tax	\$13,678	\$13,820	(\$142)
Special Levy - Fire	39,000	49,311	(10,311)

Expenditures exceeded appropriations at June 30, 2006, in the following fund:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Special Levy - Fire	\$ 8,340	\$ 13,100	\$ (4,760)

Expenditures also exceeded appropriations at the object level of control at December 31, 2007 and 2006.

This could result in the Township spending more than is available to spend.

We recommend the Board of Trustees and Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

FINDING NUMBER 2007-003

Noncompliance Citation and Material Weakness

Ohio Admin. Code Section 117-2-02(A) states that all local public offices shall 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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code Section 117-2-03.

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-003 (Continued)

**Noncompliance Citation and Material Weakness - Ohio Admin. Code Section 117-2-02(A)
(Continued)**

During 2006, the Fiscal Officer incorrectly posted the following receipts:

- \$195 Donation was posted to tax revenue instead of miscellaneous revenue in the General Fund;
- \$144 Public Utility Reimbursement was posted as tax revenue instead of intergovernmental revenue in the General Fund;
- \$287 Tangible Personal Property Tax was posted as intergovernmental revenue instead of tax revenue in the General Fund;
- \$230 Public Utility Reimbursement revenues was posted to the General Fund, but should have been posted to the Road & Bridge Fund in the amount of \$86 and the Fire Levy Fund in the amount of \$144;
- \$462 Excess IRP Tax was posted as taxes to the General Fund, but should have been posted to Motor Vehicle License Tax Fund as intergovernmental;
- \$14,126 MVL Tax was posted as taxes, but should have been posted as intergovernmental;
- \$49,304 Permissive Sales Tax was posted as taxes but should have been posted as intergovernmental;
- \$181 Tangible Personal Property Tax was posted as intergovernmental revenue instead of tax revenue in the Road & Bridge Fund;
- \$86 Public Utility Reimbursement was posted as tax revenue instead of intergovernmental revenue in the Road & Bridge Fund;
- \$1,757 Homestead & Rollback and Public Utility Reimbursement was posted as tax revenue instead of intergovernmental revenue in the Fire Levy Fund;
- \$1,146 Tangible Personal Property Tax was posted as intergovernmental revenue instead of tax revenue in the Fire Levy Fund; and
- \$257 employee reimbursement of an overcompensation was posted as intergovernmental revenue instead as a reduction to expenditure in the Gasoline Tax Fund.

During 2007, the Fiscal Officer incorrectly posted the following receipts:

- \$3,565 Homestead and Rollback was posted to tax revenue instead of intergovernmental revenue in the General Fund;
- \$19,194 MVL tax was posted as taxes, but should have been posted as intergovernmental;
- \$54,387 Permissive Sales Tax was posted as taxes, but should have been posted as intergovernmental;

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2007-003 (Continued)

**Noncompliance Citation and Material Weakness - Ohio Admin. Code Section 117-2-02(A)
(Continued)**

- \$1,746 MVL tax was posted as intergovernmental revenue in the Gasoline Tax Fund. It should have been posted to the Motor Vehicle License Tax Fund as intergovernmental revenue;
- \$440 Excess IRP Tax was posted in the General Fund as miscellaneous revenue and should have been posted in the Motor Vehicle License Tax Fund as intergovernmental revenue;
- \$334 Homestead and Rollback and Public Utility Reimbursement was posted to the General Fund, but should have been posted to the Road & Bridge Fund in the amount of \$126 and the Fire Levy Fund in the amount of \$208;
- \$481 Payment in Lieu of Taxes was posted to miscellaneous revenue instead of tax revenue in the General Fund;
- \$5,401 Real Estate & Tangible Personal Property Tax revenue was posted at the net check amount instead of the gross settlement amount in the General Fund;
- \$1,968 Homestead & Rollback was posted to tax revenue instead of intergovernmental revenue in the Road & Bridge Fund;
- \$339 Real Estate & Tangible Personal Property Tax revenue was posted at the net check amount instead of the settlement amount in the Road & Bridge Fund;
- \$3,306 Homestead & Rollback was posted to tax revenue instead of intergovernmental revenue in the Fire Levy Fund;
- \$554 Real Estate & Tangible Personal Property Tax revenue was posted at the net amount instead of the gross amount in the Fire Levy Fund; and
- \$2,966 Real Estate Tax revenue was posted to the Fire Levy Fund, but should have been posted to the Lighting Assessment Fund.

Also during 2007 and 2006, the Fiscal Officer classified the Non-expendable Trust Fund balance for a cemetery bequest as a Private Purpose Trust Fund instead of a Permanent Fund.

As a result, significant adjustments and reclassifications, with which the Township's management agrees, were made to the financial statements and ledgers, 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.

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-004

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should ensure that all transactions are properly authorized in accordance with management's policies as well as ensure the collection and compilation of the data needed for the timely preparation of financial statements.

At December 31, 2007 and 2006, appropriations as approved by the Board of Trustees did not agree to the Township's ledgers for the following funds:

Year	Fund	Amounts per Township Ledgers	Approved Appropriations	Variance
2007	Gasoline Tax Fund	\$ 76,200	\$ 126,443	\$ (50,243)
2007	Cemetery Fund	59,467	23,160	36,307
2006	General Fund	187,569	86,133	101,436
2006	Motor Vehicle License Tax Fund	13,678	14,811	(1,133)
2006	Special Levy - Fire Fund	39,000	49,311	(10,311)
2006	Permissive Sales Tax Fund	58,615	74,439	(15,824)

At December 31, 2007 and 2006, estimated receipts per the amended certificates did not agree to the estimated receipts the Fiscal Officer entered into the revenue ledger as follows:

Year	Fund	Estimated Receipts Per Budget Commission	Amounts Per Township Ledgers	Variance
2007	General Fund	\$ 95,000	\$ 187,102	\$ 92,102
2007	Motor Vehicle License Tax	20,000	20,992	992
2007	Gasoline Tax Fund	85,000	126,443	41,443
2007	Road and Bridge Fund	39,000	59,467	20,467
2007	Cemetery Fund	2,000	7,351	5,351
2007	Permissive Sales Tax Fund	32,492	59,180	26,688
2007	Lighting Assessment Fund	7,500	9,535	2,035
2006	General Fund	90,018	58,247	(31,771)
2006	Permissive Sales Tax Fund	32,445	74,439	41,994

Without information properly entered into the system, the management of the Township lost some degree of budgetary control. This also resulted in audit adjustments to the budgetary note.

We recommend the Fiscal Officer take due care in posting only approved estimated receipts and appropriations.

Officials' Response: The Fiscal Officer has found her position to be a continuous learning experience. Some of the findings for 2006 and 2007 have already been corrected. As information is provided or learned, corrections to procedures are made.

**NEWPORT TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-001	Ohio Rev. Code Section 5705.41(D)(1) - the Township did not certify 54% of expenditures tested in 2005 and 57% in 2004.	No	Partially corrected – issued in management letter for the current audit period.
2005-002	Ohio Rev. Code Section 5705.41(B) – Actual disbursements exceeded appropriations in 2005 in the General Fund and the Road & Bridge Fund and in 2004 in the Road & Bridge Fund.	No	Re-issued in this audit period; see Finding Number 2007-002.
2005-003	Ohio Rev. Code Section 5705.09 – the Township received/expended FEMA monies in the amount of \$49,900 in 2005 and \$58,420 in 2004. The Township did not establish a FEMA fund as required.	Yes	Finding No Longer Valid
2005-004	Ohio Rev. Code Section 5705.36 – current year appropriations exceed beginning fund balance plus actual receipts in 2005 in the General Fund, MVL Fund, Gas Fund, Road & Bridge Fund, and Special Levy Fund. In addition current year appropriations exceed beginning fund balance plus actual receipts in 2004 in the General Fund, MVL Fund, Gas Fund, Road & Bridge Fund, and Special Levy Fund.	No	Partially corrected – issued in management letter for the current audit period.
2005-005	Reportable Condition – The Township made three advances of cash that were not approved by the Board of Trustees.	No	Partially corrected – issued in management letter for the current audit period.



Mary Taylor, CPA
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
OCTOBER 14, 2008**