

***NEWPORT WATER AND SEWER DISTRICT  
WASHINGTON COUNTY***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2018 & 2017***







88 East Broad Street  
Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

Board of Trustees  
Newport Water and Sewer District  
P.O. Box 367  
Newport, Ohio 45768

We have reviewed the *Independent Auditor's Report* of the Newport Water and Sewer District, Washington County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2017 through December 31, 2018. 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. The Newport Water and Sewer District is responsible for compliance with these laws and regulations.

Keith Faber  
Auditor of State  
Columbus, Ohio

September 25, 2019

**This page intentionally left blank.**

**NEWPORT WATER AND SEWER DISTRICT  
WASHINGTON COUNTY  
AUDIT REPORT  
For Years Ending December 31, 2018 and 2017**

**TABLE OF CONTENTS**

<b><u>Title</u></b>	<b><u>Page</u></b>
<b>Independent Auditor’s Report</b>	<b>1-2</b>
<b>Statement of Cash Receipts, Disbursements, and Changes in Cash Balances (Regulatory Cash Basis) - For the Year Ended December 31, 2018</b>	<b>3</b>
<b>Notes to the Financial Statements – For the Year Ended December 31, 2018</b>	<b>4-8</b>
<b>Statement of Cash Receipts, Disbursements, and Changes in Cash Balances (Regulatory Cash Basis) - For the Year Ended December 31, 2017</b>	<b>9</b>
<b>Notes to the Financial Statements – For the Year Ended December 31, 2017</b>	<b>10-14</b>
<b>Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i></b>	<b>15-16</b>
<b>Schedule of Prior Audit Findings – Prepared by Management</b>	<b>17</b>

**This page intentionally left blank.**

**INDEPENDENT AUDITOR'S REPORT**

Newport Water and Sewer District  
Washington County  
P.O. Box 367  
Newport, Ohio 45768

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements and related notes of the Newport Water and Sewer District, Washington County, (the District) as of and for the years ended December 31, 2018 and 2017.

***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 District'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 District's internal control. Accordingly, we express no such 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 opinions.

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

As described in Note 2 of the financial statements, the District 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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 District as of December 31, 2018 and 2017, and the respective changes in financial position or its cash flows 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 cash balances, receipts and disbursements and related notes of the Newport Water and Sewer District, Washington County as of December 31, 2018 and 2017, 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 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2019, on our consideration of the District'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 District's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
June 17, 2019



**NEWPORT WATER AND SEWER DISTRICT  
WASHINGTON COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES CASH BALANCE  
For the Year Ended December 31, 2018**

	<u>2018</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 470,744
Service Connections	5,535
Miscellaneous	4,006
Total Operating Cash Receipts	<u>480,285</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	159,767
Utilities	35,879
Repairs, Maintenance and Testing	71,392
Office Expense and Insurance	19,544
Professional Expense	7,400
Total Operating Cash Disbursements	<u>293,982</u>
Operating Income/(Loss)	186,303
<b>Non-Operating Cash Receipts:</b>	
Interest	1,732
Total Non-operating Cash Receipts	<u>1,732</u>
<b>Non-Operating Cash Disbursements:</b>	
Debt Service:	
Principal	123,248
Interest	68,768
Capital Outlay	43,780
Total Non-operating Cash Disbursements	<u>235,796</u>
Net Receipts Over/(Under) Disbursements	(47,761)
Cash Balance, January 1	<u>363,920</u>
<b>Cash Balance, December 31</b>	<u><u>\$ 316,159</u></u>

**See Accompanying Notes to the Financial Statements.**

# NEWPORT WATER AND SEWER DISTRICT

## WASHINGTON COUNTY

### *Notes to the Financial Statements For the Year Ended December 31, 2018*

---

#### **Note 1 - Reporting Entity**

The Newport Water and Sewer District (the District), Washington County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a five-member Board of Directors whose membership is composed of trustees elected every three by water service customers whose accounts are in good standing. The Directors elect a president, vice president and secretary treasurer, who are responsible for fiscal control of the resources of the District. The District provides sewer services to residents of the District.

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

#### **Note 2 - Summary of Significant Accounting Policies**

##### ***Basis of Presentation***

The District's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

##### ***Basis of Accounting***

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board of Trustees 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

##### ***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1

***Encumbrances*** The Ohio Revised Code requires the District 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 2018 budgetary activity appears in Note 3.

**NEWPORT WATER AND SEWER DISTRICT**

**WASHINGTON COUNTY**

*Notes to the Financial Statements  
For the Year Ended December 31, 2018*

---

---

***Deposits and Investments***

The District’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.

***Capital Assets***

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

***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.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending 2018 follows:

Budgeted vs. Actual Receipts		
Budgeted	Actual	
Receipts	Receipts	Variance
\$535,290	\$482,017	(\$53,273)

Budgeted vs. Actual Budgetary Basis Disbursements		
Appropriation	Budgetary	
Authority	Disbursements	Variance
\$538,640	\$529,778	\$8,862

**Note 4 – Deposits and Investments**

The District 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:

	2018
Demand deposits	<u>\$133,529</u>
Certificates of deposit	182,630
Total deposits and investments	<u><u>\$316,159</u></u>

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution’s public entity deposit pool

# NEWPORT WATER AND SEWER DISTRICT

## WASHINGTON COUNTY

### *Notes to the Financial Statements For the Year Ended December 31, 2018*

---

#### **Note 5 - Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

#### ***Commercial Insurance***

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Settlement amounts have not exceeded insurance coverage for the last three years. There has been no reduction in liability limits.

#### **Note 6 - Defined Benefit Pension Plan**

#### ***Ohio Public Employees Retirement System***

District 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. OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14%, of participants' gross salaries. The District has paid all contributions required through December 31, 2018.

#### **Note 7 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2018.

**NEWPORT WATER AND SEWER DISTRICT**  
**WASHINGTON COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Note 8 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Loans #91-01	\$1,021,300	4.250%
Ohio Water Development Authority Loan 4865	117,206	3.950%
Ohio Public Works Commission Loan CR02B	22,649	2.000%
Ohio Water Development Authority Loan 7391	548,301	1.800%
Ohio Public Works Commission Loan CR04T	1,378,086	0.000%
People Bank Note 40	26,824	5.500%
Total	<u>\$3,114,366</u>	

The District issued water revenue bonds through USDA to finance the expansion of its water lines. The bonds (#91-01) were issued in 2006 for \$2,190,000 and have a 2046 maturity. Future revenues from the District’s water operations collateralize these bonds.

The District entered into a loan (CR02B) with the Ohio Public Works Commission to finance water line improvements. The loans were entered into in 2003 and matures in July of 2023.

The District entered into loan (7391) with the Ohio Water Development Authority (OWDA) to finance wastewater treatment plant improvements. The loan amount \$583,297 at 2.33% is to be repaid semi-annually over 20 years.

The District entered into loan (4865) with the Ohio Water Development Authority (OWDA) to finance the construction of an influent lift station. The loan was issued in 2009 for \$276,742 and final payment is due January of 2024.

The District entered into a loan with the Peoples Saving Bank to purchase a pump meter reader. The loan (Note 40) for the pump meter reader was issued in 2014 for \$44,640 and matures in 2024.

The District entered into a loan (CR04T) with the Ohio Public Works Commission to finance wastewater treatment plant improvements. The total loan amount is \$1,450,500 at 0.0% interest and is to be repaid semi-annually over 30 years.

**NEWPORT WATER AND SEWER DISTRICT**

**WASHINGTON COUNTY**

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

---

**Note 9 – Debt – (Continued)**

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

Year ending December 31:	USDA Loan 91-01	OWDA 7391	OWDA 4865	OPWC CR02B	OPWC CR04T	Peoples Saving Note 40
2019	\$ 64,285	\$ 36,652	\$ 24,628	\$ 6,092	\$ 24,175	\$ 5,815
2020	64,285	36,652	24,628	6,092	48,350	5,815
2021	64,285	36,652	24,628	6,092	48,350	5,815
2022	64,285	36,652	24,628	6,092	48,350	5,815
2023	64,285	36,652	24,628	1,324	48,350	5,815
2024-2028	321,425	183,260	12,314	-	241,750	1,938
2029-2033	321,425	183,260	-	-	241,750	-
2034-2038	321,425	128,282	-	-	241,750	-
2039-2043	321,425	-	-	-	241,750	-
2044-2047	<u>128,550</u>	-	-	-	<u>193,511</u>	-
Total	<u>\$1,735,675</u>	<u>\$678,062</u>	<u>\$135,454</u>	<u>\$25,692</u>	<u>\$1,378,086</u>	<u>\$31,013</u>

**Note 8 – Contingent Liabilities**

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

The District may be a defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the District's financial condition.

**NEWPORT WATER AND SEWER DISTRICT  
WASHINGTON COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES CASH BALANCE  
For the Year Ended December 31, 2017**

	<b>2017</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 475,754
Service Connections	26,886
Miscellaneous	500
Total Operating Cash Receipts	503,140
<b>Operating Cash Disbursements:</b>	
Personal Services	162,149
Utilities	28,979
Repairs, Maintenance and Testing	91,091
Office Expense and Insurance	18,549
Professional Expense	13,319
Total Operating Cash Disbursements	314,087
Operating Income/(Loss)	189,053
<b>Non-Operating Cash Receipts:</b>	
Interest	1,310
Loan Proceeds	1,395,302
Total Non-operating Cash Receipts	1,396,612
<b>Non-Operating Cash Disbursements:</b>	
Debt Service:	
Principal	81,140
Interest	65,946
Capital Outlay	1,395,302
Total Non-operating Cash Disbursements	1,542,388
Net Receipts Over/(Under) Disbursements	43,277
Cash Balance, January 1	320,643
<b>Cash Balance, December 31</b>	<b>\$ 363,920</b>

**See Accompanying Notes to the Financial Statements.**

# NEWPORT WATER AND SEWER DISTRICT

## WASHINGTON COUNTY

### *Notes to the Financial Statements For the Year Ended December 31, 2017*

---

#### **Note 1 - Reporting Entity**

The Newport Water and Sewer District (the District), Washington County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a five-member Board of Directors whose membership is composed of trustees elected every three by water service customers whose accounts are in good standing. The Directors elect a president, vice president and secretary treasurer, who are responsible for fiscal control of the resources of the District. The District provides sewer services to residents of the District.

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

#### **Note 2 - Summary of Significant Accounting Policies**

##### ***Basis of Presentation***

The District's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

##### ***Basis of Accounting***

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board of Trustees 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

##### ***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1

***Encumbrances*** The Ohio Revised Code requires the District 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 2017 budgetary activity appears in Note 3.



**NEWPORT WATER AND SEWER DISTRICT**  
**WASHINGTON COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

***Deposits and Investments***

The District'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.

***Capital Assets***

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

***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.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending 2017 follows:

Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$1,878,150	\$1,899,752	\$21,602

Budgeted vs. Actual Budgetary Basis Disbursements		
Appropriation Authority	Budgetary Disbursements	Variance
\$1,872,268	\$1,856,475	\$15,793

**Note 4 – Deposits and Investments**

The District 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:

	2017
Demand deposits	\$182,925
Certificates of deposit	180,995
Total deposits and investments	\$363,920

***Deposits***

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

## NEWPORT WATER AND SEWER DISTRICT

### WASHINGTON COUNTY

*Notes to the Financial Statements  
For the Year Ended December 31, 2017*

---

#### **Note 5 - Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

#### ***Commercial Insurance***

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Settlement amounts have not exceeded insurance coverage for the last three years. There has been no reduction in liability limits.

#### **Note 6 - Defined Benefit Pension Plan**

#### ***Ohio Public Employees Retirement System***

District 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. OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14%, of participants' gross salaries. The District has paid all contributions required through December 31, 2017.

#### **Note 7 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 1 percent during calendar year 2017. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2017.

**NEWPORT WATER AND SEWER DISTRICT**  
**WASHINGTON COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 8 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Loans #91-01	\$1,041,400	4.250%
Ohio Water Development Authority Loan 4865	136,120	3.950%
Ohio Public Works Commission Loan CR02B	28,135	2.000%
Ohio Water Development Authority Loan 7391	571,767	1.800%
Ohio Public Works Commission Loan CR04T	1,426,428	0.000%
People Bank Note 30	2,727	3.000%
People Bank Note 40	31,037	5.500%
Total	<u>\$3,237,614</u>	

The District issued water revenue bonds through USDA to finance the expansion of its water lines. The bonds (#91-01) were issued in 2006 for \$2,190,000 and have a 2046 maturity. Future revenues from the District’s water operations collateralize these bonds.

The District entered into a loan (CR02B) with the Ohio Public Works Commission to finance water line improvements. The loans were entered into in 2003 and matures in July of 2023.

The District entered into loan (7391) with the Ohio Water Development Authority (OWDA) to finance wastewater treatment plant improvements. The loan amount \$583,297 at 2.33% is to be repaid semi-annually over 20 years.

The District entered into loan (4865) with the Ohio Water Development Authority (OWDA) to finance the construction of an influent lift station. The loan was issued in 2009 for \$276,742 and final payment is due January of 2024.

The District entered into loans with the Peoples Saving Bank to purchase a pickup truck and a pump meter reader. The truck loan (Note 30) was issued in 2013 for \$17,378 and matures in 2018. The loan (Note 40) for the pump meter reader was issued in 2014 for \$44,640 and matures in 2024.

The District entered into a loan (CR04T) with the Ohio Public Works Commission to finance wastewater treatment plant improvements. The total loan amount is \$1,450,500 at 0.0% interest and is to be repaid semi-annually over 30 years.

**NEWPORT WATER AND SEWER DISTRICT**  
**WASHINGTON COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 9 – Debt – (Continued)**

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

Year ending December 31:	USDA Loan 91-01	OWDA 7391	OWDA 4865	OPWC CR02B	OPWC CR04T	Peoples Saving Note 30	Peoples Saving Note 40
2018	\$ 64,285	\$ 36,652	\$ 24,628	\$ 6,092	\$ 24,175	\$2,889	\$ 5,815
2019	64,285	36,652	24,628	6,092	48,350	-	5,815
2020	64,285	36,652	24,628	6,092	48,350	-	5,815
2021	64,285	36,652	24,628	6,092	48,350	-	5,815
2022	64,285	36,652	24,628	6,092	48,350	-	5,815
2023-2027	321,425	183,260	36,942	719	241,750	-	7,753
2028-2032	321,425	183,260	-	-	241,750	-	-
2033-2037	321,425	164,934	-	-	241,750	-	-
2038-2042	321,425	-	-	-	241,750	-	-
2043-2047	<u>192,835</u>	-	-	-	<u>241,750</u>	-	-
<b>Total</b>	<b>\$1,799,960</b>	<b>\$714,714</b>	<b>\$160,082</b>	<b>\$31,179</b>	<b>\$1,426,428</b>	<b>\$2,889</b>	<b>\$36,828</b>

**Note 8 – Contingent Liabilities**

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

The District may be a defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the District's financial condition.

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

Newport Water and Sewer District  
Washington County  
P.O. Box 367  
Newport, Ohio 45768

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 the Newport Water and Sewer District, Washington County, (the District) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 17, 2019. We noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District'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 a 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 District'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.

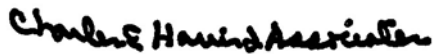
***Compliance and Other Matters***

As part of reasonably assuring whether the District'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

There are certain matters not requiring inclusion in this report that we reported to the Board's management in a separate letter dated June 17, 2019.

***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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
June 17, 2019

NEWPORT WATER AND SEWER DISTRICT  
WASHINGTON COUNTY  
For the Years Ended December 31, 2018 and 2017

SCHEDULE OF PRIOR AUDIT FINDINGS – Prepared by Management

FINDING NUMBER	FUNDING SUMMARY	STATUS	ADDITIONAL INFORMATION
2016-001	Contrary to <b>Ohio Rev. Code §5705.41 (B)</b> , The District had disbursements and encumbrances that exceeded appropriations.	Corrective action taken and finding fully corrected	

**This page intentionally left blank.**



# OHIO AUDITOR OF STATE KEITH FABER



**NEWPORT WATER AND SEWER DISTRICT**

**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 8, 2019**