

NEWPORT WATER AND SEWER DISTRICT  
Financial Statements  
December 31, 2005





**Auditor of State  
Betty Montgomery**

Board of Directors  
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 Perry and Associates, Certified Public Accountants, A.C., for the audit period January 1, 2005 through December 31, 2005. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

September 27, 2006

**This Page is Intentionally Left Blank.**

Newport Water and Sewer District  
Table of Contents  
December 31, 2005

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Comparative Statement of Net Assets	8-9
Comparative Statements of Revenues, Expenses, and Changes in Net Assets	10
Comparative Statements of Cash Flows	11-12
Notes to Financial Statements	13-22
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24-25
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	27-28
Schedule of Findings and Questioned Costs	29
Schedule of Expenditures of Federal Awards	30
Schedule of Findings and Recommendations	31
Schedule of Prior Audit Findings and Recommendations	32

**This Page is Intentionally Left Blank.**

June 15, 2006

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the business-type activities of Newport Water and Sewer District (the District) as of and for the years ended December 31, 2005 and 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Newport Water and Sewer District, as of December 31, 2005 and 2004 and the respective changes in financial position, and, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2006, 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 grants.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Board of Directors  
Newport Water and Sewer  
District  
June 15, 2006  
Page Two

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The management's discussion and analysis on pages 3 through 7, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

Perry and Associates  
Certified Public Accountants, A.C.



## Newport Water and Sewer District

### Management's Discussion and Analysis

The following discussion provides a summary overview of the financial activities of the Newport Water and Sewer District ("the District") for the year ended December 31, 2005. The information should be read in conjunction with the basic financial statements included in this report.

The Management Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

### Financial Highlights

Assets exceeded liabilities by \$1,824,661 as of December 31, 2005.  
Net assets increased by \$111,018 in 2005.  
Operating revenues increased by \$9,155 (2.83%) and operating expenses increased by \$719 (0.23%) in 2005. Retirements of debt principal totaled \$207,861 in 2005

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, the Statements of Cash Flows and the accompanying notes to the financial statements. These statements report information about the District as a whole and about its activities. The District is a single enterprise fund using proprietary fund accounting, which means these statements are presented in a manner similar to a private-sector business. The statements are presented using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Assets presents the District's financial position and reports the resources owned by the District (assets), obligations owed by the District (liabilities) and the District's net assets (the difference between assets and liabilities). It provides a way to measure the financial health of the District by providing the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses and Changes in Net Assets presents a summary of how the District's net assets changed during the year. Revenue is reported when earned and expenses are reported when incurred. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through user fees.

## Financial Analysis of the District's Financial Position and Results of Operations

The tables below provide a summary of the District's financial position and operations for 2005 and 2004, respectively.

Table 1  
Condensed Statement of Net Assets  
December 31,

	<u>2005</u>	<u>2004</u>	<u>Change Amount</u>	<u>%</u>
<b>Assets</b>				
Current & Other Assets	\$ 218,710	\$ 271,506	\$ (52,796)	-19.45%
Restricted Cash	66,581	29,724	36,857	124.00%
Capital Assets, Net	3,019,362	3,067,930	(48,568)	-1.58%
Other Assets	9,174	-	9,174	-100.00%
Total Assets	<u>3,313,827</u>	<u>3,369,160</u>	<u>(55,333)</u>	<u>-1.64%</u>
<b>Liabilities</b>				
Current Liabilities	74,060	1,342,041	1,267,981	94.48%
Long Term Liabilities	1,415,106	313,476	(1,101,630)	-351.42%
Total Liabilities	<u>1,489,166</u>	<u>1,655,517</u>	<u>166,351</u>	<u>10.05%</u>
<b>Net Assets</b>				
Net Assets Invested in Capital Assets, Net of Debt	1,576,726	1,421,717	155,009	10.90%
Restricted Net Assets	66,581	29,724	36,857	124.00%
Unrestricted Net assets	181,354	262,202	(80,848)	-30.83%
Total Net Assets	<u>\$ 1,824,661</u>	<u>\$ 1,713,643</u>	<u>\$ 111,018</u>	<u>6.48%</u>

As Noted earlier, the net assets may serve as a useful indicator of financial position. The District's assets exceeded liabilities by \$1,824,661 and \$1,713,643 respectively, for December 31, 2005 and 2004.

The largest portion of the District's net assets is reflected in its cash and its capital assets, less accumulated depreciation. The District strives to keep adequate cash reserves on hand in order to maintain or expand its facilities to meet the needs of its customers and to comply with regulatory requirements.

For the year ended December 31, 2005, total assets of the District decreased by \$55,333 due to increase in accumulated depreciation, which was from the systematic expense of the cost of capital assets. The Liabilities of the District decreased by \$166,351 due mainly to decrease in notes payable.

The following table summarizes the changes in revenues and expenses for the District for 2005 and 2004:

Table 2  
Condensed Statements of Revenues, Expenses and Changes in Net Assets  
For the Years Ended December 31,

	<u>2005</u>	<u>2004</u>	<u>Change Amount</u>	<u>%</u>
<u>Revenues</u>				
Operating Revenues	\$ 314,027	\$ 323,182	\$ (9,155)	-2.83%
Nonoperating Revenues	182,606	349,070	(166,464)	-47.69%
Total Revenues	<u>496,633</u>	<u>672,252</u>	<u>(175,619)</u>	<u>-26.12%</u>
<u>Expenses</u>				
Operating Expenses	307,200	306,481	719	0.23%
Nonoperating Expenses	78,415	21,444	56,971	265.67%
Total Expenses	<u>385,615</u>	<u>327,925</u>	<u>57,690</u>	<u>17.59%</u>
Income/(Loss)	<u>111,018</u>	<u>344,327</u>	<u>(233,309)</u>	<u>-67.76%</u>
Change in Net Assets	<u>\$ 111,018</u>	<u>\$ 344,327</u>	<u>\$ (233,309)</u>	<u>-67.76%</u>

### Capital Assets

As of December 31, 2005, the District had \$3,019,362 invested in net capital assets.  
This amount represents a net decrease of \$48,568 (1.58%) over 2004

Table 3  
Capital Assets  
For the Years Ended December 31,

	<u>2005</u>	<u>2004</u>	<u>Change Amount</u>	<u>%</u>
Land	25,195	25,195	-	0.00%
Buildings	66,195	66,195	-	0.00%
Furniture & Lab Equipment	34,689	34,387	302	0.88%
Vehicles and Equipment	101,125	93,624	7,501	8.01%
Water Distribution System	2,579,733	1,905,426	674,307	35.39%
Sewage Collection and Treatment System	1,266,364	1,266,364	-	0.00%
Less: Accumulated Depreciation	(1,053,939)	(943,449)	(110,490)	11.71%
Construction in Progress	-	620,188	(620,188)	-100.00%
Totals	<u>3,019,362</u>	<u>3,067,930</u>	<u>(48,568)</u>	<u>-1.58%</u>

Major additions were to Furniture and Equipment, Vehicles and Equipment and Water Distribution System  
 \$1,082 for purchase of pressure washer  
 \$4,364 for purchase of Orion System Reader  
 \$2055 for purchase of SUBA Equipment  
 \$302 for the purchase of Fax Machine  
 \$674,307 for the purchase of Pipeline Construction

Additional information on the District's capital assets can be found in Notes to the financial statements

Newport Water and Sewer District

Management's Discussion and Analysis (Continued)

The Statement of Cash Flows provides information about the District's cash receipts and disbursements during the year. It summarizes net changes in cash resulting from operating, investing and financing activities.

The notes to the financial statements provide additional information that is essential for a full understanding of the financial statements.

Debt Administration

The District finances its construction primarily through the issuance of loan programs with the Rural Development Ohio Water Development Authority and Ohio Public Water Commission. The District had total debt outstanding of \$1,442,636, \$1,646,213 and \$1,666,288 at December 31, 2005, 2004 and 2003 respectively. This represents a decrease of \$207,861 in the year 2005 and \$20,075 in the year 2004 due to payments on principal of the debt. The Ohio Water Development Authority loan #3595 (construction loan) was retired in 2005 by the issuance of a Rural Development Loan for the principle and Ohio Water Development Grant for the capitalized interest.

Additional information on the District's long-term debt can be found in Note 5 to the financial statements.

Economic Factors and 2006 Budget

The operating budget for 2006 is \$135,144 more than the 2005 actual due to an increase in grant income and a moderate decrease in water sales in 2005. The District does plan to increase service rates in the near future.

Contacting the District's Financial Management

This report is designed to provide the District's customers, bondholders, creditors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional information, please contact Jerry Graham at P.O. Box 367, Newport, OH 45768.

**Newport Water and Sewer District  
Comparative Statement of Net Assets  
As of December 31, 2005 and 2004**

	2005	2004
Assets		
Current Assets:		
Cash & Cash Equivalents (Note 3)	\$ 58,767	\$ 214,611
Investments	-	137,799
Certificates of Deposits	121,959	14,879
Accounts receivable	33,179	37,454
Inventory	1,079	1,786
Prepaid Expenses	3,726	2,776
Total Current Assets	218,710	271,506
Restricted Assets:		
Restricted Cash and Investments (Note 4)	66,581	29,724
Total Restricted Assets	66,581	29,724
Fixed Assets: (Note 5)		
Land	25,195	25,195
Buildings	66,195	66,195
Furniture and Lab Equipment	34,689	34,387
Vehicles and Equipment	101,125	93,624
Water Distribution System	2,579,733	1,905,426
Sewage Collection and Treatment System	1,266,364	1,266,364
Less: accumulated depreciation	(1,053,939)	(943,449)
Construction in Progress	-	620,188
Total Fixed Assets	3,019,362	3,067,930
Other Assets	9,174	-
<b>TOTAL ASSETS</b>	<b>\$ 3,313,827</b>	<b>\$ 3,369,160</b>

The accompanying notes are an integral part of the financial statements.

**Newport Water and Sewer District  
Comparative Statement of Net Assets  
As of December 31, 2005 and 2004**

	2005	2004
Liabilities and Equity		
Current Liabilities:		
Accounts payable	\$ 2,971	\$ 1,511
Accrued Vacation Payroll	1,519	-
Taxes Payable	11,087	5,819
Interest Payable	28,692	374
Current Portion - Notes Payable (Note 6)	27,530	1,332,737
Customer Meter Deposits	2,261	1,600
Total Current Liabilities	74,060	1,342,041
Long-term Liabilities (net of current portion):		
Note Payable -FmHa (Note 5)	1,202,000	77,209
OWDA Loan # 2068 (Note 5)	127,862	151,071
OPWC Loan Pr02B (Note 5)	85,244	85,196
Total Long-Term Liabilities	1,415,106	313,476
Total Liabilities	1,489,166	1,655,517
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,576,726	1,421,717
Retained Earnings, Restricted (Note 4)	66,581	29,724
Retained Earnings, Unrestricted	181,354	262,202
Total Net Assets	1,824,661	1,713,643
Total Liabilities and Net Assets	\$ 3,313,827	\$ 3,369,160

The accompanying notes are an integral part of the financial statements.

**Newport Water and Sewer District**  
**Comparative Statement of Revenues, Expenses and Changes in Net Assets**  
**As of December 31, 2005 and 2004**

	2005	2004
Operating Revenues:		
Operations	\$ 304,902	\$ 310,756
Service Connections	2,425	5,797
Tap Fee	6,509	300
Miscellaneous	191	6,329
Total Operating Revenues	314,027	323,182
Operating Expenses:		
Insurance	4,418	4,920
Gross Salaries	83,843	71,785
Payroll Taxes	1,743	1,649
PERS Contributions (Note 10)	11,624	9,190
Workers' Compensation Insurance	7,194	3,229
Utilities	18,061	17,841
Water and Sewer Tests	2,991	5,195
Maintenance Repairs and Supplies	46,692	49,999
Service Connects Expenses	-	2,554
Office Supplies	4,420	3,771
Miscellaneous Expenses	742	3,482
Accounting and Legal Expenses	13,997	12,168
Contracted Services	133	21,000
Engineering/Construction Expense	852	2,909
Depreciation Expenses	110,490	96,789
Total Operating Expenses	307,200	306,481
Excess (Deficiency) of Revenues Over Expenses from Operations	6,827	16,701
Other Revenues and Expenses:		
Interest Income	6,316	2,345
Interest Expense	(78,415)	(21,444)
Grant Income	176,290	346,725
Total Other Revenue and Expenses	104,191	327,626
Excess (Deficiency) of Operating Revenues and Other Revenues over Operating Expenses and Other Expenses	111,018	344,327
Net Assets, Beginning of Year	1,713,643	1,369,316
Net Assets, End of Year	\$ 1,824,661	\$ 1,713,643

The accompanying notes are an integral part of the financial statements.



**Newport Water and Sewer District  
Comparative Statement of Cash Flows  
As of December 31, 2005 and 2004**

	2005	2004
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Water and Sewer Sales	\$ 309,838	\$ 311,246
Service Connections	2,425	5,797
New taps	6,509	-
Miscellaneous	191	6,329
Total Revenues	318,963	323,372
<b>DISBURSEMENTS:</b>		
Insurance	4,418	5,575
Gross Salaries	82,324	71,785
Payroll Taxes	1,743	1,649
PERS Contributions	13,084	8,551
Workers' Compensation Insurance	1,926	3,229
Utilities	19,011	17,532
Water and Sewer Tests	2,991	5,195
Maintenance Repairs and Supplies	45,985	49,998
Service Connects Expenses	-	2,554
Office Supplies	4,420	3,771
Miscellaneous Expenses	742	3,482
Accounting and Legal Expenses	13,997	12,168
Contracted Services	133	21,000
Engineering/Construction Expense	852	2,909
Total Disbursements	191,626	209,398
Net Cash Provided (used) by Operating Activities	127,337	113,974
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Change in Restricted Assets	(36,857)	-
Additions to Property, Plant, and Equipment	(61,922)	(352,475)
Interest Payments on Debt	(67,969)	(21,535)
Principal Payments on Long-Term Debt	(207,861)	(52,260)
Net Cash Provided (used) by Investing Activities	(374,609)	(426,270)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash receipts from Grant Income	85,112	346,725
Cash receipts from Interest Income	6,316	2,019
Net Cash Provided (used) by Financing Activities	91,428	348,744
Net Increase (Decrease) in Cash and Cash Equivalents	(155,844)	36,448
Beginning of Period Cash	214,611	178,163
End of Period Cash	\$ 58,767	\$ 214,611
Cash paid to interest expense	\$ 50,098	\$ 21,538

**Disclosure of Accounting Policy**

For the purpose of the Statement of Cash Flows, the Association considers all unrestricted highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

The Accompanying notes are an integral part of these financial statements.

**Newport Water and Sewer District  
Comparative Statement of Cash Flows  
As of December 31, 2005 and 2004**

RECONCILIATION OF NET INCOME (LOSS) TO NET CASH  
PROVIDED (USED) BY OPERATING ACTIVITIES:

	2005	2004
Net Income (Loss)	\$ 6,827	\$ 16,701
Depreciation Expenses	110,490	96,789
Decrease/(Increase) in Accounts Receivable	4,275	490
Decrease/(Increase) in Prepaid Expenses	(950)	(655)
Decrease/(Increase) in Inventories	707	1
Increase/(Decrease) in Accounts Payable	(1,460)	309
Increase/(Decrease) in Vacation Payroll Payable	1,519	
Increase/(Decrease) in Taxable Payable	5,268	639
Increase/(Decrease) in Customer Deposits	661	(300)
Net Cash Provided (Used) by Operating Activities	\$ 127,337	\$ 113,974

The accompanying notes are an integral part of the financial statements.

Newport Water and Sewer District  
Notes to Financial Statements  
December 31, 2005

Note 1. Nature of Activities

The Newport Water and Sewer District was established in 1988 as a governmental entity of the State of Ohio. The District operates under the direction of a five-member Board of Trustees. An appointed Secretary/Treasurer is responsible for the fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply and a sanitary system for the District's residential and business users.

Note 2. Summary of Significant Accounting Policies

The financial Statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board(GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

Basis of Presentation

The District's operations are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus and Basis of Accounting

The District's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the statement of Net Assets. Equity (i.e., net total assets) is segregated into invested in capital, net of related debt, and restricted and unrestricted components. The operating statement presents increase (i.e., revenues) and decrease (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and Expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The District uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

Budgetary Process

The District does not follow the budgeting procedures required by Ohio Rev. Code Chapter 5705. The District relied on Ohio Attorney General Opinion No. 77-068, which concluded that taxing districts that do not levy property taxes are not subject to Ohio Rev. Code Chapter 5705 budgetary requirements.

Newport Water and Sewer District  
Notes to Financial Statements  
December 31, 2005  
(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

The Ohio Attorney General opinion No. 99-020 concerning the applicability of Ohio Rev. Code Chapter 5705 to regional water and sewer districts, formed under Ohio Rev. Code Chapter 6119, was issued in March 1999. This Opinion concluded that various requirements of Ohio Rev. Code Chapter 5705 are applicable to regional water and sewer districts.

The District will become compliant with the Ohio Attorney General Opinion No. 99-020 in the year ending December 31, 2005.

Cash and Cash Equivalents

Cash and cash equivalents in the District's operating account is considered cash for the purposes of the Statement of Cash Flows.

Bad Debt Expense

Bad debt expense is recorded using the direct write-off method. Under this method, the bad debt is charged to expense in the period when amounts due are determined to be uncollectible. This method is not in conformity with generally accepted accounting principles; however, any variances between this method and the allowance method are believed to be immaterial.

Inventory

The inventory is valued at cost, which approximates market, utilizing first in, first out (FIFO) method. The inventory of the District consists of expendable materials and supplies. The cost is recorded as an expense at the time individual inventory items are used.

Fixed Assets and Depreciation

Fixed assets acquired or constructed for the general use of the District in providing services are recorded at cost. Construction costs of the water systems are capitalized, including interest incurred on construction projects, when they are substantially completed. Donated assets are recorded at their fair market value at the time recorded. Depreciation of fixed assets of the District is calculated utilizing the straight-line method. No depreciation is charged in the year of acquisition. All assets reported in the financial statements are at cost less accumulated depreciation. Depreciation is charged to operations over the fixed assets estimated useful lives on the straight-line basis. The following lives are used:

Water System	5 to 40 years
Sewer Collections	10 to 40 years
Vehicles & Equipment	5 to 7 years
Furniture & Lab Equip.	5 to 7 years
Non-Permanent Structures	20 years

Newport Water and Sewer District  
Notes to Financial Statements  
December 31, 2005  
(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

Estimates

In preparing financial statements in conformity with GAAP, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

Grants

Grant amounts are recorded in the period when entitlement occurs as revenues.

Tap Fees and Memberships

Taps fees from customers of the District are recognized as revenue in the period received.

Tax-Exempt Status

As a governmental entity, The District is exempt from federal income taxes and therefore no tax provision is presented.

Note 3. Significant Concentrations of Credit Risk

As of December, 31, 2005, the District had the following investments.

Institution	Investments	Maturities	Book Balance	Bank Balance
Cash on Hand	Cash		\$ 80	\$ 80
The Peoples Savings Bank	Checking		58,686	61,046
The Peoples Savings Bank	Passbook Savings		7,643	7,643
The Peoples Savings Bank	Certificates of Deposits	01/26/06	180,898	180,898
Total			\$ 247,307	\$ 249,667

The District's deposits at each financial institution are federally insured up to \$ 100,000. Any amounts on deposit in excess of \$ 100,000 are secured by specifically identified pledged collateral. The total deposits of \$247,227 (book balance) include restricted cash and investments of \$64,320.

A) Accounts Receivable

The District's accounts receivable balance at December 31, 2005, consists of amounts due from water customers for water services provided. More specifically, the amounts due are from the December billing. Due to such a large customer base, there is no significant concentration of credit risk.

Newport Water and Sewer District  
Notes to Financial Statements  
December 31, 2005  
(Continued)

Note 4. Capital Assets

The summary of and changes in the capital assets as of December 31, 2005 is as follows:

	Beginning Balance	Additions	Dispositions	Ending Balance
Land	\$ 25,195	\$ -	\$ -	\$ 25,195
Building	66,195	-	-	66,195
Furniture and Lab Equipment	34,387	302	-	34,689
Vehicles and Equipment	93,624	7,501	-	101,125
Water Line Systems	1,905,426	674,307	-	2,579,733
Sewage Collection and Treatment Systems	1,266,364	-	-	1,266,364
Construction in Progress	620,188	(620,188)	-	-
<b>Total</b>	<u>4,011,379</u>	<u>61,922</u>	<u>-</u>	<u>4,073,301</u>
Accumulated Depreciation				
Building	(33,007)	(2,509)	-	(35,516)
Furniture and Lab Equipment	(22,881)	(3,124)	-	(26,005)
Vehicles and Equipment	(10,850)	(12,716)	-	(23,566)
Water Line Systems	(288,577)	(60,029)	-	(348,606)
Sewage Collection and Treatment Systems	(588,134)	(32,112)	-	(620,246)
<b>Total Accumulated Depreciation</b>	<u>(943,449)</u>	<u>(110,490)</u>	<u>-</u>	<u>(1,053,939)</u>
<b>Capital Assets, Net</b>	<u>\$3,067,930</u>	<u>\$(48,568)</u>	<u>\$ -</u>	<u>\$3,019,362</u>
Depreciation Expense Charged to operation		<u>\$110,490</u>		

Newport Water and Sewer District  
Notes to Financial Statements  
December 31, 2005  
(Continued)

Note 4. Capital Assets

The summary of and changes in the capital assets as of December 31, 2004 is as follows:

	Beginning			Ending
	Balance	Additions	Dispositions	Balance
Land	\$ 25,195	\$ -	\$ -	\$ 25,195
Building	60,600	5,595	-	66,195
Furniture and Lab Equipment	33,320	1,067	-	34,387
Vehicles and Equipment	25,100	68,524	-	93,624
Water Line Systems	1,900,522	4,904	-	1,905,426
Sewage Collection and Treatment Systems	1,266,364	-	-	1,266,364
Construction in Progress	<u>315,621</u>	<u>304,567</u>	<u>-</u>	<u>620,188</u>
Total	<u>3,626,722</u>	<u>384,657</u>	<u>-</u>	<u>4,011,379</u>
Accumulated Depreciation				
Building	(30,777)	(2,230)	-	(33,007)
Furniture and Lab Equipment	(16,986)	(5,895)	-	(22,881)
Vehicles and Equipment	(8,407)	(2,443)	-	(10,850)
Water Line Systems	(234,468)	(54,109)	-	(288,577)
Sewage Collection and Treatment Systems	<u>(556,022)</u>	<u>(32,112)</u>	<u>-</u>	<u>(588,134)</u>
Total Accumulated Depreciation	<u>(846,659)</u>	<u>(96,789)</u>	<u>-</u>	<u>(943,449)</u>
Capital Assets, Net	<u>\$2,780,063</u>	<u>\$287,868</u>	<u>\$ -</u>	<u>\$3,067,930</u>
Depreciation Expense Charged to operation		<u>\$ 96,789</u>		

Newport Water and Sewer District  
Notes to Financial Statements  
December 31, 2005  
(Continued)

Note 5. Long-Term Debt

The long-term debt and related current maturities of the District are as follows:

United States Department of Agriculture - Rural Development

Loan number 91-01 at 4.25% interest, payable at \$ 5,376 monthly,

	Principal	Interest
2006	\$ -0-	\$ 49,965
2007	12,553	51,085
2008	13,087	50,552
2009	13,643	49,995
2010	14,223	49,416
2011	14,827	48,811
2012-2016	84,141	234,050
2017-2021	103,606	214,584
2022-2026	127,575	190,615
2027-2031	157,089	161,101
2032-2036	193,431	124,759
2037-2041	238,181	80,010
2042-2045	229,644	24,907
	<u>\$ 1,202,000</u>	<u>\$1,329,851</u>

The notes payable to the Rural Development are covered by a water system grant agreement and a security agreement which contains conditions which the District is required to meet concerning use and disposition of property included in the agreement. The agreement also pledges accounts receivable and other property.

Ohio Water Development Authority

Loan number 1791 at 7.56% interest, payable at \$ 34,630 yearly, in two semi-annual payments of \$ 17,315.

Year	Principal	Interest
2006	\$ 23,209	\$ 11,421
2007	24,964	9,666
2008	26,851	7,779
2009	28,881	5,749
2010	31,064	3,566
2011	16,102	1,213
	<u>\$ 151,071</u>	<u>\$ 39,394</u>



Newport Water and Sewer District  
Notes to Financial Statements  
December 31, 2005  
(Continued)

**Note 5. Long-Term Debt(Continued)**

Ohio Public Works Commission

Loan number GR02B at 2.00% interest, payable at \$ 6,091 yearly, in two semi-annual payments of \$ 3,045

Interest	Principal	Interest
2006	\$ 4,321	\$ 1,770
2007	4,408	1,683
2008	4,497	1,594
2009	4,587	1,504
2010	4,679	1,412
2011-2015	24,846	5,610
2016-2020	27,445	3,010
Thereafter	14,782	446
	\$ 89,565	\$ 18,193

The long-term activity for the year ended December 31, 2005 was as follows:

2005						Amount
Proprietary Fund	Beginning			Ending	Due Within	
Long-Term Debt	Balance	Additions	Reductions	Balance	One Year	
FmHa 91-01 Loan	\$ 18,982	\$ -0-	\$ 18,982	\$ -0-	\$ -0-	
FmHa 92-02 Loan	46,467	-0-	46,467	-0-	-0-	
FmHa 93-04 Loan	36,644	-0-	36,644	-0-	-0-	
FmHa 91-01 Loan	-0-	1,202,000		1,202,000	-0-	
OWDA Loan #1791	172,649	-0-	21,578	151,071	23,209	
OWDA Loan Construction Loan	1,202,000	-0-	1,202,000	-0-	-0-	
OWDA Construction Loan Capitalized Interest	76,495	14,683	91,178	-0-	-0-	
Peoples Savings Bank	3,458	-0-	3,458	-0-	-0-	
OPWC Loan #CR02B	93,802	-0-	4,237	89,565	4,321	
<b>Total</b>	<b>\$1,650,497</b>	<b>\$1,216,683</b>	<b>\$1,424,544</b>	<b>\$1,442,636</b>	<b>\$27,530</b>	

**Note 6. Prepaid Expenses**

Prepaid Expenses comprise the following at December 31, 2005:

Prepaid Insurance	2005 \$ 3,235
Prepaid Maintenance	491
<b>Total Prepaid Expenses</b>	<b>\$ 3,726</b>

Newport Water and Sewer District  
Notes to Financial Statements  
December 31, 2005  
(Continued)

Note 7. Compensated Absences

GASB-16 establishes criteria for compensated absences. Compensated absences for vacation leave and benefits with similar characteristics should be recorded as a liability when earned by employees if the following conditions are satisfied:

1. Compensated absence is earned on the basis of services already performed by employees.
2. It is probable that the compensated absence will be paid in a future period.

The District does record compensated absences in accordance with GASB-16, accrued vacation is not carried over and no sick leave is accrued.

Note 8. Restricted Assets

Restricted Assets consist of \$66,581 in Certificates of Deposit and Savings, which are held to satisfy USDA Rural Development Loan Reserve requirements of \$64,320 and customer meter deposit of 2,261.

Note 9. Defined Benefit Pension Plan

The District participates in the Ohio Public Employees Retirement System (OPERS). OPER administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

Newport Water and Sewer District  
Notes to Financial Statements  
December 31, 2005  
(Continued)

Note 9. Defined Benefit Pension Plan (Continued)

For the year ended December 31, 2005, the members participating in the traditional plan were required to contribute 8.5 percent of their annual covered salaries. The District's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$11,624, \$9,190, and \$7,089 respectively. The full amount has been contributed for 2005, 2004 and 2003. The District does not participate in the member-directed plan.

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement) 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004, which were used to fund postemployment benefits, were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

Newport Water and Sewer District  
Notes to Financial Statements  
December 31, 2005  
(Continued)

Note 9. Defined Benefit Pension Plan (Continued)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 10. Budget

Budget-activity for the year ending December 31 2005 is as follows:

2005	
Budgeted vs Actual Receipts	
Budgeted Receipts	\$ 319,141
Actual Receipts	<u>496,633</u>
Variance	<u>\$ (177,492)</u>
Budgeted vs Actual Expenditures	
Budgeted Expenditures	\$ 343,237
Actual Expenditures	<u>385,615</u>
Variance	<u>\$ (42,378)</u>

Note 11. Change in Accounting Principle

For the year December 31, 2003, Newport Water and Sewer District has implemented GASB Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*"; GASB Statement No. 37, "*Basic Financial Statements for State and Local Governments: Omnibus*"; GASB Statement No. 38, "*Certain Financial Statement Note Disclosures*"; and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statement.*" There were no restatements of net assets as a result of implementing GASB Statements 34, 37, 38 or Interpretation No. 6.

Note 12. Revenue Types

The District has two revenue types, water and sewer, however sewer is a minor portion of total revenue. The commingling of revenues from the two revenues sources has no significant bearing on the over all financial statement.

Newport Water and Sewer District  
For the Years Ended December 31, 2005

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

June 15, 2006

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of the proprietary activities of the Newport Water and Sewer District as of and for the years ended December 31, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 15, 2006, wherein we noted the District adopted Governmental Accounting Standards Board Statement numbers 34,37,38 and Interpretation 6. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Newport Water and Sewer District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Association's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and recommendations as item 2005-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Board of Directors  
Newport Water and Sewer  
District  
June 15, 2006  
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newport Water and Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests did disclose an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-02.

This report is intended solely for the information and use of the Board of Trustees, management and various regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Perry and Associates  
Certified Public Accountants, A.C.

Newport Water and Sewer District

For the Years Ended December 31, 2005

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENT APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133



June 15, 2006

Newport Water & Sewer District  
Board of Directors  
P.O. Box 367  
Newport, OH 45768

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of Newport Water & Sewer District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. Newport Water & Sewer District' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Newport Water & Sewer District' management. Our responsibility is to express an opinion on Newport Water & Sewer District' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Newport Water & Sewer District' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Newport Water & Sewer District' compliance with those requirements.

In our opinion, Newport Water & Sewer District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control over Compliance

The management of Newport Water & Sewer District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Newport Water & Sewer District' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Perry and Associates, CPAs, A.C.

Newport Water & Sewer District

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2005

SUMMARY OF AUDIT RESULTS

The auditor's report expresses an unqualified opinion on the financial statements of Newport Water & Sewer District

**Financial Statements**

1. No material weaknesses were identified during the audit of the financial statements.
2. One reportable condition was identified that is not considered to be material weaknesses to the financial statements.
3. One instances of noncompliance to the financial statements of Newport Water & Sewer District were disclosed during the audit of the financial statements.

**Federal Awards**

1. No material weaknesses were identified during the audit of the major federal award programs.
2. No reportable condition identified that are not considered to be a material weakness to the audit of the major federal award programs.
3. No instances of noncompliance were identified during the audit of the major federal award programs.

The auditor's report on compliance for the major federal award programs for Newport Water & Sewer District expresses an unqualified opinion.

There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.

The programs tested as major programs included: USDA, Rural Development, Water Program.

The threshold for distinguishing Types A and B programs was \$300,000.

Newport Water & Sewer District does not qualified as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENTS AUDIT

Two

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

**Newport Water & Sewer District**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2005**

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>
U.S. Department of Housing and Urban Development:			
USDA Loan	10.760	-	\$ 1,202,000
USDA Grant	10.760	-	71,380
FEMA Grant	83.	-	<u>13,732</u>
Total			<u>\$ 1,287,112</u>

**Newport Water & Sewer District**

**Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2005**

**NOTE A—BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Newport Water & Sewer District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Newport Water and Sewer District**  
**Schedule of Findings and Recommendations**  
**For the Years Ended December 31, 2005**

**Internal Control Recommendation**

**2005-01. Segregation of Accounting Duties**

A lack of segregation of accounting duties exists with the District. This situation provides for a less than desirable internal control since two people have control over all of the accounting functions.

**Recommendation**

We recommend that the Board of Trustees continue to provide detail oversight and review all transactions processed by the District.

**Response**

The board will continue to be involved with the operation of the district.

**Legal Compliance Citations**

**Ohio Revised Code**

2005-02. Ohio Revised Code 117.38 states at the time the financial report is filed with the Auditor of State, the chief fiscal officer shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer.

The District did not present any evidence that the required notice was published.

We recommend the District publish the required notice and retain a copy of such notice in their files for future audits.

The District officers have conveyed to the auditor that the non-compliance was unintentional on this finding due to a lack of knowledge on Ohio code 117.38. The district will take immediate action to correct the non-compliance.

NEWPORT WATER  
AND SEWER  
DISTRICT

SCHEDULE OF  
PRIOR FINDINGS  
DECEMBER 31,  
2005

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding no Longer Valid; Explain
2004-01	Internal Control Recommendation Segregation of duties	No	Board review all segments of office Manager duties. Repeated as 2005-01.
2004-02	Ohio Revised Code 5705.36 Certification of Expenditure	Yes	State only requires that water and sewer entities keep budget on site.
2004-03	Ohio Revised Code 5705.38 Appropriation measure	Yes	State only requires that water and sewer entities keep budget on site.
2004-04	Ohio Revised Code 5705.41 Expenditures without appropriation measure	Yes	State only requires that water and sewer entities keep budget on site.
2004-05	Ohio Revised Code 5705.41 Contract without certificate	Yes	State only requires that water and sewer entities keep budget on site.
2004-06	Ohio Revised Code 117.38 Publication of Financial Report	No	Not Corrected. Repeated as 2005-02



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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 10, 2006**