



Dave Yost • Auditor of State



**NEWPORT WATER & SEWER DISTRICT  
WASHINGTON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	1

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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Newport Water & Sewer District, Washington County, Ohio (the District), agreed, solely to assist the Board in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2012 and 2011, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management and the Board are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

### Cash

1. We tested the mathematical accuracy of the December 31, 2012 and December 31, 2011 bank reconciliations. We found the following exception:

A bank reconciliation was completed each month by the Fiscal Officer of the Newport Water & Sewer District for the operating account only. The amounts and activity of the certificate of deposits were not included in the reconciliation and agreed to total fund balance. Monthly reconciliations should be completed for all accounts, agree to the monthly financial reports and be presented to and approved by the Board. When monthly reconciliations are not completed for all District accounts, this could allow errors and or irregularities to occur and remain undetected for an extended period of time.

We recommend the Fiscal Officer prepare monthly reconciliations for all accounts of the District and that said reconciliation be presented to and approved by Council.

2. We agreed the January 1, 2011 beginning balance recorded in the Check Register to the December 31, 2010 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2012 beginning fund balances recorded in the Check Register to the December 31, 2011 balances in the Check Register. We found no exceptions.

3. We agreed the totals per bank reconciliation, including certificates of deposits confirmed by the bank to the total of the December 31, 2012 and 2011 Annual Budget Year Spreadsheet. The amounts agreed.
4. We confirmed the December 31, 2012 bank account balances with the District's financial institution. We found no exceptions.
5. We tested investments held at December 31, 2012 and December 31, 2011 to determine that they were of a type authorized by Ohio Rev. Code Section 6119.16. We found no exceptions.

### Charges for Services

1. We haphazardly selected 10 water/sewer collection cash receipts from the year ended December 31, 2012 and 10 water/sewer collection cash receipts from the year ended 2011 recorded on the Utility Billing Report and determined whether the:
  - a. Utility Billing Report agreed to the Payment Stub and the Receipt amount per the Payment Stub agreed to the Utility Billing Posting Report. We noted the following exceptions:

Utility collections were collected at the Water Office and the Peoples Savings Bank. Daily deposits were prepared and made to the District's Operating bank account. Utility Payments were posted to the billing system on a daily basis. During our testing, we noted three instances where the payment batch total that was deposited in the bank did not agree to the amounts posted to the utility system. The discrepancies were: August 15, 2011 deposit, in the amount of \$59.42, November 16, 2011 deposit, in the amount of \$51.97 and May 11, 2012, in the amount of \$54.62. This could allow errors and/or irregularities to occur and remain undetected for an extended period of time.

We recommend the District adopt a control procedure to compare payment batch totals that were deposited to the postings in the Utility Billing Posting Register.

- b. Amount charged for the related billing period:
      - i. Agreed with the debit to accounts receivable in the Utility Billing Report for the billing period. We found no exceptions.
      - ii. Complied with rates in force during the audit period multiplied by the consumption amount recorded for the billing period, plus any applicable late penalties, plus unpaid prior billings. We noted the following exception:

The Board of Directors approved the amounts charged by the District for Water and Sewer Services. During 2012, we noted that utility rates increased in July, however per scan of the District's Board minutes, Board approval was not documented. This could errors and/or irregularities to occur and lead to questions concerning the validity of the rates being billed.

We recommend the Board approve all actions of the District at the Regular Board Meetings and that all Board action be documented in the Official Board Minutes.

- c. Receipt was posted to the proper fund, and was recorded in the year received. We found no exceptions.

2. We read the Utility Billing Aged Trial Balance Report.
  - a. We noted this report listed \$41,355 and \$10,918 of accounts receivable as of January 2, 2013 and December 31, 2011, respectively.
  - b. Of the total receivables reported in step 2a, \$5,738 and \$4,085 were recorded as more than 90 days delinquent as of January 2, 2013 and December 31, 2011, respectively.
3. We read the Utility Billing Adjustment Report.  
 We noted this report listed a total of \$2,293 and \$333 non-cash receipts adjustments for the years ended December 31, 2012 and 2011, respectively. However, no documentation was presented to verify that the Board approved the non-cash adjustments to customer's accounts. This could allow errors and or irregularities to occur and remain undetected for an extended period of time.

We recommend the Board adopt a policy for any adjustments to customer accounts and an approval process of whom can make adjustments and what dollar threshold would require Board approval before the adjustment can be made to a customer's account.

**Debt**

1. From the prior documentation, we noted the following bonds and loans outstanding as of December 31, 2010. These amounts agreed to the Districts January 1, 2011 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2010:
USDA Rural Development Revenue Bonds	\$1,160,600
OWDA Loan #1791	16,102
OWDA Loan #4865	248,526
OPWC Loan # CR02B	67,073
Peoples Savings Bank Loan #38281-60	2,140

2. We inquired of management, and scanned the Deposit Register Report and Check Register Report for evidence of debt issued during 2012 or 2011 or debt payment activity during 2012 or 2011. The District obtained a truck loan through The Peoples Savings Bank in 2012.
3. We obtained a summary of bond and loan activity for 2012 and 2011 and agreed principal and interest payments from the related debt amortization schedule(s) to payments reported in the Check Register Report. We also compared the date the debt service payments were due to the date the District made the payments. We found no exceptions.
4. We agreed the amount of debt proceeds from the debt documents to amounts recorded per the Deposit Register Report. The District obtained a truck loan through The Peoples Savings Bank in 2012. The Bank paid the vendor directly. The District did not record the loan proceeds, in the amount of \$16,270 or the purchase amount of \$16,270 for the truck on the District's accounting records. We recommend the District post any on-behalf transactions on the District's accounting system. Guidance can be found in Auditor State Bulletin 2000-008.
5. For new debt issued during 2012 and 2011, we inspected the debt legislation, noting the District must use the proceeds to purchase a truck. The District obtained a truck loan through The Peoples Savings Bank in 2012.

**Payroll Cash Disbursements**

1. We haphazardly selected one payroll check for five employees from 2012 and one payroll check for five employees from 2011 from the Payroll Register and:
  - a. We compared the hours and pay rate, or salary amount recorded in the Payroll Register to supporting documentation (timecard, or legislatively approved rate or salary). We found no exceptions.
  - b. We recomputed gross and net pay and agreed it to the amount recorded in the payroll register. We found no exceptions.
  - c. We determined whether the account code(s) to which the check was posted were reasonable based on the employees' duties as documented in the employees' personnel files. We also determined whether the payment was posted to the proper year. We found no exceptions.
  
2. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2012 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period of 2012. We noted the following:

<b>Withholding plus employer share, where applicable)</b>	<b>Date Due</b>	<b>Date Paid</b>	<b>Amount Due</b>	<b>Amount Paid</b>
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2013	01/07/13	\$630.56	\$630.56
State income taxes	January 15, 2013	01/10/13	\$478.20	\$478.20
OPERS retirement	January 30, 2013	01/07/13	\$1,691.28	\$1,691.28

**Non-Payroll Cash Disbursements**

1. From the Check Register Report, we re-footed checks recorded as *salary* disbursements, and checks recorded as Water & Sewer Testing #511 for 2012. We found no exceptions.
  
2. We haphazardly selected ten disbursements from the Check Register Report for the year ended December 31, 2012 and ten from the year ended 2011 and determined whether:
  - a. The disbursements were for a proper public purpose. We found no exceptions.
  - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Check Register Report and to the names and amounts on the supporting invoices. We found no exceptions.
  - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.



### Compliance – Budgetary

1. We compared the total estimated receipts from the *Certificate of the Total Amount From All Sources Available For Expenditures and Balances*, required by Ohio Rev. Code Sections 5705.28(B)(2) and 5705.36(A)(1), to the amounts recorded in the Budget Report for the years ended December 31, 2012 and 2011. The amounts agreed.
2. We scanned the appropriation measures adopted for 2012 and 2011 to determine whether, the Trustees appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code Sections 5705.28(B)(2) and 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.28(B)(2), 5705.38 and 5705.40, to the amounts recorded in the Budget Report for 2012 and 2011. The amounts on the appropriation resolutions agreed to the amounts recorded in the Budget Report.
4. Ohio Rev. Code Section 5705.28(B)(2)(c) prohibits appropriations from exceeding the estimated revenue available for expenditure (receipts plus beginning unencumbered cash). We compared total appropriations to total estimated revenue for the years ended December 31, 2012 and 2011. Appropriations did not exceed estimated revenue.
5. Ohio Rev. Code Sections 5705.28(B)(2) and 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2012 and 2011 as recorded in the Budget Report. Expenditures did not exceed appropriations in 2012. We noted that expenditures for 2011 exceeded total appropriations by \$14,382, contrary to Ohio Rev. Code Sections 5705.28(B)(2) and 5705.41(B). The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary, and if resources are available.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the District’s receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, and others within the District, and is not intended to be, and should not be used by anyone other than these specified parties.



**Dave Yost**  
Auditor of State

Columbus, Ohio

October 31, 2013

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# Dave Yost • Auditor of State

**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  
NOVEMBER 19, 2013**