

RENO AREA WATER AND SEWER DISTRICT  
WASHINGTON COUNTY  
December 31, 2004 and 2003





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Reno Area Water and Sewer District  
Route 6, Box 59  
Marietta, Ohio 45750

We have reviewed the *Independent Auditor's Report* of the Reno Area Water and Sewer District, Washington County, prepared by Perry and Associates, CPAs, A.C., for the audit period January 1, 2003 through December 31, 2004. 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 Reno Area 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

August 1, 2005

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RENO AREA WATER AND SEWER DISTRICT  
WASHINGTON COUNTY  
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Reno Area Water and Sewer District  
Washington County  
Board of Trustees

<u>Name</u>	<u>Office</u>
Ruth Becker	President
Stephen Gerhart	Vice-President
David Henthorn	Trustee
Joan Vanfossen	Trustee
Richard Poole	Trustee

May 27, 2005

Board of Trustees  
Reno Area Water and Sewer District  
Washington County  
170 Mount Tom Road  
Marietta, Ohio 45750

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the business-type activities of Reno Area Water and Sewer District (the District) as of and for the years ended December 31, 2004 and 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Association'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 financial position of the Reno Area Water and Sewer District as of December 31, 2004 and 2003, and the results of its operations and cash flows for the years 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 May 27, 2005, 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.

The management's discussion and analysis on pages 4 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note 10 to the basic financial statements, the District implemented Governmental Accounting Standards Board (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 Statements*.

Respectfully submitted,

Perry and Associates  
Certified Public Accountants, A.C.

Reno Area Water and Sewer District  
Washington County

Management's Discussion and Analysis

The following discussion provides a summary overview of the financial activities of the Adams County Regional Water District ("the District") for the year ended December 31, 2004. 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 \$1,750,464 as of December 31, 2004.  
Net assets decreased by \$17,098 in 2004.  
Operating revenues decreased by \$5,206 (.8%) and operating expenses increased by \$28,483 (4.6%) in 2004.  
Retirements of debt principal totaled \$37,399 and \$132,970, respectively in 2004 and 2003.

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 and 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 District 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.

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.

## 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 2004 and 2003, respectively.

Table 1  
Condensed Statement of Net Assets  
December 31,

	<u>2004</u>	<u>2003</u>	<u>Change</u>	<u>%</u>
<b>Assets</b>				
Current & Other Assets	\$ 610,914	\$ 682,056	\$ (71,142)	-10.43%
Capital Assets, Net	1,750,246	1,741,907	8,339	0.48%
Total Assets	<u>2,361,160</u>	<u>2,423,963</u>	<u>(62,803)</u>	<u>-2.59%</u>
<b>Liabilities</b>				
Current Liabilities	132,392	133,113	(721)	-0.54%
Long-term Debt	478,304	523,288	(44,984)	-8.60%
Total Liabilities	<u>610,696</u>	<u>656,401</u>	<u>(45,705)</u>	<u>-6.96%</u>
<b>Net Assets</b>				
Contributed Capital	652,006	652,006	-	0.00%
Fund Balance	1,098,458	1,115,556	(17,098)	-1.53%
Total Net Assets	<u>\$ 1,750,464</u>	<u>\$ 1,767,562</u>	<u>\$ (17,098)</u>	<u>-0.97%</u>

As Noted earlier, the net assets may serve as a useful indicator of financial position. The District's assets exceeded liabilities by \$1,750,464 as of December 31, 2004.

The largest portion of the District's net assets is reflected in its cash and certificates of deposit, and its capital assets, less accumulated depreciation and related debt outstanding. 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, 2004, total assets of the district decreased by \$62,803 due to depreciation of Capital assets and a decrease in net cash flows. Total liabilities of the District decreased by \$45,705 due mainly to retirement of debt.

The following table summarizes the changes in revenues and expenses for the District for 2004 and 2003:

Table 1  
Condensed Statements of Revenues, Expenses and Changes in Net Assets  
For the Years Ended December 31

	<b>2004</b>	<b>2003</b>	<b>Change Amount</b>	<b>%</b>
<b>Operating Revenues</b>				
Sales to Customers	\$ 631,330	\$ 620,597	\$ 10,733	1.73%
Other	5,560	21,499	(15,939)	-74.14%
<b>Total Operating Revenues</b>	<b>636,890</b>	<b>642,096</b>	<b>(5,206)</b>	<b>-0.81%</b>
<b>Non-operating Revenues</b>				
Interest Income	6,856	8,149	(1,293)	-15.87%
<b>Total Non-Operating Revenues</b>	<b>6,856</b>	<b>8,149</b>	<b>(1,293)</b>	<b>-15.87%</b>
<b>Total Revenues</b>	<b>643,746</b>	<b>650,245</b>	<b>(6,499)</b>	<b>-1.00%</b>
<b>Operating Expenses</b>				
Operations	501,517	483,079	18,438	3.82%
Maintenance	24,256	17,427	6,829	39.19%
Depreciation	117,054	113,838	3,216	2.83%
<b>Total Operating Expenses</b>	<b>642,827</b>	<b>614,344</b>	<b>28,483</b>	<b>4.64%</b>
<b>Non-operating Expenses</b>				
Interest Expense	18,016	19,408	(1,392)	-7.17%
<b>Total Non-Operating Expenses</b>	<b>18,016</b>	<b>19,408</b>	<b>(1,392)</b>	<b>-7.17%</b>
<b>Total Expenses</b>	<b>660,843</b>	<b>633,752</b>	<b>27,091</b>	<b>4.27%</b>
<b>Income/(Loss)</b>	<b>(17,097)</b>	<b>16,493</b>	<b>(33,590)</b>	<b>-203.66%</b>
<b>Change in Net Assets</b>	<b>\$ (17,097)</b>	<b>\$ 16,493</b>	<b>\$ (33,590)</b>	<b>-203.66%</b>

## Capital Assets

As of December 31, 2004, the District had \$1,750,246 invested in net capital assets. This amount represents a net decrease of \$8,341 (%0.48) over 2003

Table 1  
Capital Assets  
For the Years Ended December 31

	<u>2004</u>	<u>2003</u>	<u>Change Amount</u>	<u>%</u>
Land	\$ 37,440	\$ 37,440	\$ -	0.00%
Buildings	69,938	69,938	-	0.00%
Furniture & Equipment	199,558	176,525	23,033	13.05%
Line Systems	2,830,698	2,747,882	82,816	3.01%
CIP Reno II Tank	77,490	57,945	19,545	33.73%
Less: Accumulated Depreciation	(1,464,876)	(1,347,823)	(117,053)	8.68%
Totals	<u>1,750,248</u>	<u>1,741,907</u>	<u>8,341</u>	<u>0.48%</u>

Major additions in 2004, at cost:

\$82,816 for upgrades to Line Systems

\$19,776 purchase of vehicle

\$3,257 purchase of equipment

Additional information on the District's capital assets can be found in Note 4 on page 21 of this report

Reno Area Water and Sewer District  
Washington County

Management's Discussion and Analysis (Continued)

Debt Administration

The District finances its construction primarily through the issuance of low interest loan programs with the Ohio Ohio Public Works Commission and U.S. Government and no interest loan with the US Army Engineer Division. At December 31, 2004 the District had total debt outstanding of \$513,637 compared to \$551,036 at December 31, 2003. This represents a decrease of \$37,399 from payments on principal of the debt. There were no additions to debt during 2004.

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

Economic Factors and 2005 Budget

The operating budget for 2005 is \$10,000, which is \$10,000 less than the 2004 budget due to expected decrease costs for capital improvements and equipment and only moderate growth in water sales in 2005. The District does not plan to increase service rates in the near future. The Reno III line extension has been put on hold due to delays in qualifying for grants and high cost of line installation for 2005. However, the District does foresee in 2006 qualifying for the grant and commencement of construction on the Reno III line extension. Upon completion of the Reno III line extension the District should see a growth in water sales.

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 the Ruth Beckner at 170 Mount Tom Road, Marietta, OH 45750.

**Reno Area Water and Sewer District  
Statement of Net Assets  
As of December 31, 2004 and 2003**

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Assets	2004	2003
Current Assets:		
Cash & Cash Equivalents (Note 3)	\$ 135,587	\$ 140,831
Investments -CDs	133,853	128,320
Repurchase Agreement	216,680	292,820
Accounts receivable	105,294	100,614
Inventory	6,962	9,265
Prepaid Expenses	12,538	10,206
Total Current Assets	610,914	682,056
Fixed Assets: (Note 4)		
Land	37,440	37,440
Buildings	69,938	69,938
Furniture and Equipment	199,558	176,525
Line Systems	2,830,698	2,747,882
CIP Reno II Tank	77,490	57,945
Less: accumulated depreciation	(1,464,878)	(1,347,823)
Total Property and Equipment	1,750,246	1,741,907
<b>TOTAL ASSETS</b>	<b>\$ 2,361,160</b>	<b>\$ 2,423,963</b>

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

**Reno Area Water and Sewer District  
Statement of Net Assets  
As of December 31, 2004 and 2003**

	2004	2003
Liabilities and Equity		
Current Liabilities:		
Accounts payable	\$ 55,002	65,722
Compensated Absences Payable	12,374	11,779
Accrued Expenses	6,220	6,414
Accrued Interest	14,538	15,750
Current Portion - Notes Payable (Note 5)	35,333	27,748
Customer Meter Deposits	8,925	5,700
Total Current Liabilities	132,392	133,113
Long-term Liabilities: (Note 5)		
Note Payable -GECC (Note 5)	290,750	315,000
Contract Payable-U.S. Government (Note 5)	17,999	18,749
Note Payable-OPWC (Note 5)	204,888	217,287
Less Current Maturities	(35,333)	(27,748)
Total Long-Term Liabilities	478,304	523,288
Total Liabilities	610,696	656,401
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,236,609	1,190,871
Unrestricted	513,855	576,691
Total Net Assets	1,750,464	1,767,562
Total Liabilities and Net Assets	\$ 2,361,160	\$ 2,423,963

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

**Reno Area Water and Sewer District**  
**Statement of Revenues, Expenditures, and changes in Net Assets**  
**As of December 31, 2004 and 2003**

	2004	2003
Operating Revenues:		
Water and Sewer Sales	\$ 631,330	\$ 620,597
New Taps	4,860	21,149
Miscellaneous	700	350
Total Operating Revenues	<u>636,890</u>	<u>642,096</u>
Operating Expenses:		
Water Purchases	295,179	273,372
Insurance	6,191	6,946
Operations Supplies	11,037	8,415
Utilities	22,339	27,412
Repairs and Maintenance	24,256	17,427
Office and Legal Fees	22,146	27,688
Salaries	83,725	81,272
Contract Labor	8,250	6,350
Fringe Benefits (Note7)	52,650	51,624
Depreciation	117,054	113,838
Total Operating Expenses	<u>642,827</u>	<u>614,344</u>
Excess (Deficiency) of Revenues Over Expenses from Operations	<u>(5,937)</u>	<u>27,752</u>
Other Revenues and Expenses:		
Interest Income	6,856	8,149
Interest Expense	(18,016)	(19,408)
Total Other Revenue and Expenses	<u>(11,160)</u>	<u>(11,259)</u>
Excess (Deficiency) of Operating Revenues and Other Revenues over Operating Expenses and Other Expenses	<u>(17,097)</u>	<u>16,493</u>
Net Assets, Beginning of Year	<u>1,115,556</u>	<u>1,099,063</u>
Net Assets, End of Year	<u>\$ 1,098,459</u>	<u>\$ 1,115,556</u>

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

Reno Area Water and Sewer District  
Statement of Cash Flows  
As of December 31, 2004 and 2003

	2004	2003
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Water and Sewer Sales	\$ 626,652	\$ 625,222
New taps	8,085	17,399
Miscellaneous	700	350
Total Revenues	635,437	642,971
<b>DISBURSEMENTS:</b>		
Water Purchases	295,179	273,372
Insurance	8,523	7,462
Operations Supplies	8,734	9,814
Utilities	22,339	27,412
Repairs and Maintenance	34,976	7,730
Office and Legal Fees	22,146	27,688
Salaries	83,130	78,800
Contract Labor	8,250	6,350
Fringe Benefits	52,844	49,757
Total Disbursements	536,121	488,385
Net Cash Provided (used) by Operating Activities	99,316	154,586
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to Property, Plant, and Equipment	(125,396)	(16,856)
Interest Payments on Debt	(19,228)	(25,408)
Principal Payments on Long-Term Debt	(37,399)	(132,970)
Net Cash Provided (used) by Investing Activities	(182,023)	(175,234)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash receipts from Interest Income	6,856	8149
Net Cash Provided (used) by Financing Activities	6,856	8149
Net Increase (Decrease) in Cash and Cash Equivalents	(75,851)	(12,499)
Beginning of Period Cash	561,971	574470
End of Period Cash	\$ 486,120.00	\$ 561,971.00
Cash paid to interest expense	\$ 18,016	\$ 19,408

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.

Reno Area Water and Sewer District  
 Comparative Statement of Cash Flows  
 As of December 31, 2004 and 2003

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

	<u>2004</u>	<u>2003</u>
Net Income (Loss)	\$ (5,937.00)	\$ 27,752.00
Depreciation Expenses	117,054.00	113,838.00
Decrease/(Increase) in Accounts Receivable	(4,678.00)	4,625.00
Decrease/(Increase) in Prepaid Expenses	(2,332.00)	(516.00)
Decrease/(Increase) in Inventories	2,303.00	(1,399.00)
Increase/(Decrease) in Accounts Payable	(10,720.00)	9,697.00
Increase/(Decrease) in Accrued Expenses	(194.00)	1,867.00
Increase/(Decrease) in Customer Deposits	3,225.00	(3,750.00)
Increase/(Decrease) in Compensated absences payable	<u>595.00</u>	<u>2,472.00</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 99,316.00</u>	<u>\$ 154,586.00</u>

Reno Area Water and Sewer District  
Washington County  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2004 and December 31, 2003

Note 1. Description of the Entity

The Reno Area Water and Sewer District is a regional water and sewer district organized under the provisions of Chapter 6119 of the revised Code by the Common Pleas Court of Washington County on July 2, 1975. The District operations 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. The District serves all or parts of the following subdivisions:

Washington County  
Fearing Township  
Marietta Township  
Newport Township

As required by accounting principles generally accepted in the United States of America, the basic financial statements present the District (the primary government) and any component units. In determining whether to include a governmental department, agency, commission or organization as a component unit, the District must evaluate each entity as to whether they are legally separate and financially accountable based on criteria set forth by the Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue or be sued and (3) the right to buy, sell, lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of a specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the District.

The District has no component units.

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.

A. 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.

Reno Area Water and Sewer District  
Washington County  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2004 and December 31, 2003

Note 2. Summary of Significant Accounting Policies (Continued)

B. 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 expenditures or 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.

C. 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.

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 became compliant with the Ohio Attorney General Opinion No. 99-020 in the year ending December 31, 2000.

D. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the District's participation in a repurchase agreement is treated as a demand account and reported as cash equivalent. Cash in the District's operating account is considered cash for the purposes of the Statement of Cash Flows.

E. 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	10 to 33 years
Operating Equipment	5 to 15 years
Office Buildings	10 to 30 years

Reno Area Water and Sewer District  
Washington County  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2004 and December 31, 2003

Note 2. Summary of Significant Accounting Policies (Continued)

- F. Allowance for Doubtful Accounts  
The District uses the direct method of writing off bad debts. As a result, no allowance for doubtful accounts has been established. This method is not in conformity with accounting principles generally accepted in the United States of America. However, any differences are considered to be immaterial to the general-purpose financial statements.
- G. 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.
- H. Prepaid Items  
Payments made to vendors for services that will benefit periods beyond December 31, 2004 and December 31, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.
- I. Compensated Absences  
GASB Statement 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.
- J. Contributed Capital  
Contributed capital is recorded by the District for receipts of capital grants or contributions from developers or customers. Contributed capital of the District has been from customers, donated assets and grants. Grant amounts are reported as non-operating revenue in the period in which the entitlement occurs.
- K. Tax-exempt Status  
The District is a governmental agency and is, therefore, exempt from federal, state, and local income and sales taxes.
- L. In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, GAAP, requires management must make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reno Area Water and Sewer District  
Washington County  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2004 and December 31, 2003

Note 3. Equity in Pooled Cash and Investments

State statutes classify monies held by the District into three categories.

Active deposits are deposits necessary to meet current demands on the treasury. Such monies maintained either as cash in the District treasury, in commercial accounts receivable or withdraw able on demand, including negotiable order of withdrawal(NOW) accounts, or in money market deposit accounts.

Inactive deposits are deposits that the Board Of Trustees have identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts. Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State Of Ohio;
5. No-loan money market mutual funds consisting exclusively of obligations described in division (1) of (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool(STAR Ohio);

Reno Area Water and Sewer District  
Washington County  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2004 and December 31, 2003

Note 3. Equity in Pooled Cash and Investments (Continued)

7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstance, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

The District may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State Of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and,
3. Obligations of the District.

Investment is stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must with five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Any depository that receives a District deposit or investment is required to pledge to the investing authority as collateral eligible securities of aggregate fair value that, when added to the portion of the deposit by the Federal Deposit Insurance Corporation, equals or exceeds the amount of District funds deposited.

A public depository may, at its option, pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The pool of securities so pledged must have a current fair value at least equal to 110% of all public monies on deposit with the depository including the amount covered by federal insurance.

GASB Statement No. 9 requires the District to report cash flows for its' Enterprise Fund. For purpose of the Statement of Cash Flows, Enterprise Fund participation in the repurchase agreement is treated as a cash equivalent.

Reno Area Water and Sewer District  
Washington County  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2004 and December 31, 2003

Note 3. Equity in Pooled Cash and Investments (Continued)

The Governmental Accounting Standards Board(GASB Statement No. 3) has established credit risk categories for deposits and investments as follows:

Category 1: Deposits that are insured or collateralized with securities held by the District of its agent in the District's name;  
Investments that are insured or registered, or securities held by the District or its agent in the District's name.

Category 2: Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.  
Investments that are uninsured and unregistered, with securities held by the counter-party's trust department or agent in the District's name.

Category 3: Deposits that are uncollateralized or collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the District's name.  
Investments that are uninsured and unregistered, with securities held by the counter-party or its trust department or agent but not in the District's name;

Based on the above criteria, the District's deposits and investments at December 31, 2004 are classified as follows:

	Category 1	Category 2	Carrying Amount	Fair Value
<u>Deposits:</u>				
Demand Deposits	<u>\$ 141,555</u>		<u>\$ 135,587</u>	
Total Deposits	<u>\$ 141,555</u>		<u>\$ 135,587</u>	
<u>Investments:</u>				
Repurchase Agreement		216,680	\$ 216,680	\$ 216,680
Certificate of Deposit		<u>133,853</u>	<u>133,853</u>	<u>133,853</u>
Total Investments		<u>350,533</u>	<u>\$ 350,533</u>	<u>\$ 350,533</u>

Reno Area Water and Sewer District  
Washington County  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2004 and December 31, 2003

Note 3. Equity in Pooled Cash and Investments (Continued)

Based on the above criteria, the District's deposits and investments at December 31, 2003 are classified as follows:

	Category 1	Category 2	Carrying Amount	Fair Value
<u>Deposits:</u>				
Demand Deposits	<u>\$141,366</u>		<u>\$ 140,831</u>	
Total Deposits	<u>\$141,366</u>		<u>\$ 140,831</u>	
<u>Investments:</u>				
Repurchase Agreement		292,820	\$ 292,820	\$ 292,820
Certificate of Deposit		<u>128,320</u>	<u>128,320</u>	<u>128,320</u>
Total Investments		<u>\$ 421,140</u>	<u>\$ 421,140</u>	<u>\$ 421,140</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 STAR Ohio and investments with an original maturity of three months or less are treated as cash and cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this Note is based on criteria set forth in GASB Statement No. 3.

Reconciliation between classifications of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows as of December 31, 2004.

	Cash and Cash Equivalents	Investments
Per Balance Sheet	\$135,587	\$350,533
Certificate of Deposit	133,853	(133,853)
Repurchase Agreement	<u>216,680</u>	<u>(216,680)</u>
Per GASB Statement No. 3	<u>\$486,120</u>	<u>\$ -0-</u>

Reconciliation between classifications of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows as of December 31, 2003.

	Cash and Cash Equivalents	Investments
Per Balance Sheet	\$140,831	\$421,140
Certificate of Deposit	128,320	(128,320)
Repurchase Agreement	<u>292,820</u>	<u>(292,820)</u>
Per GASB Statement No. 3	<u>\$561,971</u>	<u>\$ 0</u>

Reno Area Water and Sewer District  
Washington County  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2004 and December 31, 2003

Note 4. Capital Assets

A summary of the fixed assets as of December 31, 2004 and December 31, 2003 is as follows:

	December 31, 2004	December 31, 2003
Land	\$ 37,440	\$ 37,440
Building	69,938	69,938
Furniture and Equipment	199,558	176,525
Line Systems	2,830,698	2,747,882
CIP Reno II Tank	<u>77,490</u>	<u>57,945</u>
<b>Total</b>	<b>\$3,215,124</b>	<b>\$3,089,730</b>
 Less Accumulated Depreciation		
Building	(43,947)	(41,499)
Furniture and Equipment	(139,617)	(119,926)
Line Systems	<u>(1,281,314)</u>	<u>(1,186,398)</u>
<b>Total Accum. Depreciation</b>	<b><u>(1,464,878)</u></b>	<b><u>(1,347,823)</u></b>
 <b>Total Net Capital Assets</b>	 <b><u>\$ ,750,246</u></b>	 <b><u>\$1,741,907</u></b>

The changes in Capital Assets for the years ended 2004 and 2003 are as follows:

2004	Beginning			Ending
Proprietary Fund	Balance	Additions	Dispositions	Balance
Land	\$ 37,440	\$ -0-	\$ -0-	\$ 37,440
Building	69,938	-0-	-0-	69,938
Furniture and Equipment	176,525	23,033	-0-	199,558
Line Systems	2,747,882	82,816	-0-	2,830,698
CIP Reno II Tank	57,945	19,545	-0-	77,490

2003	Beginning			Ending
Proprietary Fund	Balance	Additions	Dispositions	Balance
Land	\$ 37,440	\$ -0-	\$ -0-	\$ 37,440
Building	69,938	-0-	-0-	69,938
Furniture and Equipment	175,870	655	-0-	176,525
Line Systems	2,739,846	8,036	-0-	2,747,882
CIP Reno II Tank	49,784	8,161	-0-	57,945

Reno Area Water and Sewer District  
Washington County  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2004 and December 31, 2003

Note 5. Long-Term Debt

Long-Term Debt outstanding at December 31, 2004, consisted of the following:

<u>General Electric Credit Corporation</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Notes dated February 25, 1979, due 2019, with interest at 5%	\$12,000	\$ 129,700	\$ 141,700
Notes dated September 17, 1982, due 2022, with interest at 5%	<u>10,000</u>	<u>139,050</u>	<u>149,050</u>
Totals	<u>\$22,000</u>	<u>\$ 268,750</u>	<u>\$ 290,750</u>

The notes payable to General Electric Credit Corporation are covered by a water system grant agreement and 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. The notes are serviced through the General Motors Acceptance Corporation.

<u>United States Department of Army-Corps of Engineers</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Contract dated June 30, 1998, due 2029	<u>\$ 750</u>	<u>\$ 17,249</u>	<u>\$ 17,999</u>

Reno Area Water and Sewer District is required to make payments of \$750 per year for forty years, beginning July 1, 1989, to the United States Government for credits on the Willow Island Project.

<u>Ohio Public Works Commission</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Note dated November 8, 1996, due 2016	\$3,289	\$34,537	\$37,826
1% Note dated May 17, 1999, due 2020	9,293	157,769	167,062

Reno Area Water and Sewer District is required to make payments of \$1,645, semi-annually for twenty years, beginning January 1, 1997 and \$6,294, semi-annually for twenty years, beginning January 1, 2001 [with an interest only payment of \$1,401 on July 1, 2000], to the Ohio Public Works commission for credits on the Grub Road and System II Storage and Pressure Upgrade Projects, respectively.

The annual requirements to amortize all long-term debt outstanding as of December 31, 2004 are as follows:

Reno Area Water and Sewer District  
Washington County  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2004 and December 31, 2003

Note 5. Long-Term Debt (Continued)

Year Ending December 31	1979 GECC Note	1982 GECC Note	Army Corps of Engineers	OPWC Loans CR933	CR11B	Totals
2005	\$ 12,000	\$ 10,000	\$ 750	\$ 3,289	\$ 9,293	\$35,332
2006	13,000	10,000	750	3,289	9,480	36,519
2007	14,000	11,000	750	3,289	9,671	38,710
2008	14,000	11,000	750	3,289	9,865	38,904
2009	15,000	12,000	750	3,289	10,063	41,102
Subsequent	73,700	95,050	14,249	21,381	118,690	323,070
<b>Total</b>	<b>\$141,700</b>	<b>\$149,050</b>	<b>\$17,999</b>	<b>\$37,826</b>	<b>\$167,062</b>	<b>\$513,637</b>

The long-term activity for the year ended December 31, 2004 and 2003 was as follows:

2004				Amount	
Proprietary Fund	Beginning			Ending	Due Within
Long-Term Debt	Balance	Additions	Reductions	Balance	One Year
1979 GECC Note	\$154,000	-0-	\$12,300	\$141,700	\$12,000
1982 GECC Note	161,000	-0-	11,950	149,050	10000
Army Corp of Eng.	18,749	-0-	750	17,999	750
OPWC CR933	41,116	-0-	3,289	37,826	3,289
OPWC CR11B	176,171	-0-	9,110	167,061	9,293

2003				Amount	
Proprietary Fund	Beginning			Ending	Due Within
Long-Term Debt	Balance	Additions	Reductions	Balance	One Year
1979 GECC Note	\$215,000	-0-	\$61,000	\$154,000	\$12,000
1982 GECC Note	220,000	-0-	59,000	161,000	9,000
Army Corp of Eng.	19,499	-0-	750	18,749	750
OPWC CR933	44,405	-0-	3,289	41,116	3,290
OPWC CR11B	185,102	-0-	8,931	176,171	9,020

Note 6. Pension Obligations

Public Employees Retirement System

Plan Description: The district contributes to the Public Employees Retirement System of Ohio(PERS), a cost-sharing multiple-employer defined pension plan administered by the State. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established and amended by state statute per Chapter 145 of the Ohio Revised Code.

The PERS issues a stand-alone, publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS(7377).

Reno Area Water and Sewer District  
Washington County  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2004 and December 31, 2003

Note 6. Pension Obligations(Continued)

Funding Policy: Plan members are required to contribute 8.5% of their annual covered salary and the District is required to contribute 13.55%. The Ohio Revised Code provides statutory authority for employee and employer contribution rates. The percentage of the employer contribution rate used to fund healthcare was 4.3% for 2004 and 2003. The District's required contributions to PERS for the years ending December 31, 2004, 2003 and 2002 were \$11,256, \$10,872 and \$11,449, respectively. In the years ending 2004, 2003 and 2002 all required contributions were paid.

Post employment Benefits: The PERS of Ohio also provides post employment health care benefits to age and service retirees with ten(10) or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care which is considered an Other Post Employment Benefit(OPEB). The Ohio Revised Code provides statutory authority for employer contributions and requires public employers to fund post retirement health care through their contributions to PERS. Of the 10.84% employer contribution rate for the District, 4.3% was used to fund health care for the year 2004 and 2003, which amounted to \$3,572 and \$3,450, respectively. Through the contributions of employers and the investment earnings thereon, the amount allocated to retiree health care is expected to be sufficient to maintain the program indefinitely.

During 2004, the expenditures for OPEB were \$966,078,653. As of December 31, 2004, the unaudited estimated net asset available for future OPEB payments were \$13,318,429,562 and the number of active participants was 369,885. During 1998, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. This was effective January 1, 1998, and under this new method employer contributions equal to 4.3% of member covered payroll will be used to fund health care expense.

Note 7. Risk Management

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. The District has also obtained coverage for general liability and errors and omissions.

Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years.

The District pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

Note 8. Concentrations of Credit Risk

Financial instruments that potentially subject the District to concentrations of credit risk consist principally of accounts receivable. Concentrations of credit risk with respect to receivables are limited due to the large number of customers comprising the District's customer base. As of December 31, 2004 and December 31, 2003, the District had no significant concentrations of credit risk.

Reno Area Water and Sewer District  
Washington County  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2004 and December 31, 2003

Note 9. Budgetary activity for the year ending December 31 2004 and 2003 are as follows:

2004	
Budgeted vs Actual Receipts	
Budgeted Receipts	\$ -0-
Actual Receipts	<u>643,746</u>
Variance	<u>\$ (643,746)</u>

Budgeted vs Actual Expenditures	
Budgeted Expenditures	\$ -0-
Actual Expenditures	<u>660,843</u>
Variance	<u>\$ (660,843)</u>

2003	
Budgeted vs Actual Receipts	
Budgeted Receipts	\$ -0-
Actual Receipts	<u>650,245</u>
Variance	<u>\$ (650,245)</u>

Budgeted vs Actual Expenditures	
Budgeted Expenditures	\$ -0-
Actual Expenditures	<u>633,752</u>
Variance	<u>\$ (633,752)</u>

Note 10. Change in Accounting Principle:

For the year December 31, 2004, Reno Area 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.

RENO AREA WATER AND SEWER DISTRICT  
WASHINGTON COUNTY

For the Year Ended December 31, 2004

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

May 27, 2005

Board of Trustees  
Reno Area Water and Sewer District  
Washington County  
170 Mount Tom Road  
Marietta, Ohio 45750

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 Reno Area Water and Sewer District as of and for the years ended December 31, 2004 and 2003, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 27, 2005, 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 Reno Area 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 questioned costs as item 2004-01.

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 Trustees  
Reno Area Water and Sewer District  
May 27, 2005  
Page Two

Compliance

As part of obtaining reasonable assurance about whether Reno Area 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 disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and recommendations as items 2004-02 through 2004-06. In a separate letter to the Township's management dated June 22, 2005, we reported other matters related to noncompliance we deemed immaterial.

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.

Reno Area Water and Sewer District  
Washington County  
Schedule of Findings and Recommendations  
For the Years Ended December 31, 2004 and December 31, 2003

Internal Control Recommendation

2004-01. It was noted that due to the small size of the District, that nearly all of the office duties are performed by one individual.

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

Legal Compliance Citations

Ohio Revised Code

2004-02. Ohio Revised Code 5705.36 (A)(1) states on or about the first day of each fiscal year, the fiscal officer of each subdivision shall certify the total amount from all sources available for expenditures from each fund created by or on behalf of the taxing authority. The amount certified shall include any unencumbered balances that existed at the end of the proceeding year.

The District fiscal officer did not certify available revenue for fiscal year 2004 or 2003.

We recommend the fiscal officer design or procure forms to certify available revenue and properly prepare such forms at the prescribed time.

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 5705.36(A) (1). The district will take immediate action to correct the non-compliance.

2004-03. Ohio Revised Code 5705.38 states on or about the first day of each year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental measures as it finds necessary, based upon the revised operating budget and certificate of estimated resources or amendments thereto.

The District did not pass an appropriation measure for fiscal year 2004 or 2003.

We recommend the District pass an appropriation measure or make temporary appropriations on or about the first day of each year. If the District chooses to make temporary appropriations; then they must pass a permanent appropriation measure by the first day of April of the current year, and the appropriations in the annual appropriations measure for that fiscal year when passed.

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 5705.38. The district will take immediate action to correct the non-compliance.

Legal Compliance Citations (continued)  
Ohio Revised Code (continued)

- 2004-04. Ohio Revised Code 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in such chapter.

The District failed to pass any such appropriation measure for fiscal year 2004 or 2003.

We recommend the District Fiscal Officer not make any expenditure of District funds unless an appropriation has been properly passed.

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 5705.41(B). The district will take immediate action to correct the non-compliance.

- 2004-05. Ohio Revised Code 5705.41 (D) (1) states that no subdivision or taxing unit shall make any contract or give any order involving expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuring fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

There were several disbursements noted during the audit period that did not have a properly completed certificate prepared. Purchase orders were issued and signed by the initiator or special approval was noted in the minutes for most transactions. Recurring transactions (i.e., utilities, payroll, water) did not have a properly completed purchase order. This could result in errors and irregularities occurring and not being detected in a timely manner.

We recommend that a properly completed purchase order and certification be prepared for all disbursements issued by the District.

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 5705.41(D). The district will take immediate action to correct the non-compliance.

- 2004-06. 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.

RENO AREA WATER AND SEWER DISTRICT  
WASHINGTON COUNTY

SCHEDULE OF PRIOR FINDINGS  
DECEMBER 31, 2002 AND 2001

Finding umber	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding no Longer Valid; Explain
2001-002	ORC 5705.41(B) (2) (a) spending money not Appropriated	Yes	Corrected
2002-002	ORC 5705.36 (A) (1) Certification of expenditures	No	Not Corrected
2002-003	ORC 5705.38 District did not pass an Appropriation measure	No	Not Corrected
2002-004	ORC 5705.41(B) failure to pass appropriation measure	No	Not Corrected
2002-005	ORC 5705.41 (D) (1) Disbursements for recurring transaction did not have Completed purchase order	No	Not Corrected
2002-006	ORC 117.38 District did not publish notice report is available for public inspection	No	Not Corrected
2002-007	Internal Control Recommendation Segregation of duties	No	Board review all segments of office Manager duties



**Auditor of State  
Betty Montgomery**

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**RENO AREA 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  
AUGUST 16, 2005**