

***RENO AREA WATER AND SEWER DISTRICT  
WASHINGTON COUNTY***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2016 & 2015***







# Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the Reno Area Water and Sewer District, Washington County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 13, 2017

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**RENO AREA WATER AND SEWER DISTRICT  
WASHINGTON COUNTY**

**AUDIT REPORT  
For Years Ending December 31, 2016 and 2015**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **REPORT OF INDEPENDENT AUDITORS**

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements and related notes of the Reno Area Water and Sewer District, Washington County (the District), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2016 and 2015, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Reno Area Water and Sewer District, Washington County, as of December 31, 2016 and 2015, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2017 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
June 20, 2017



**RENO AREA WATER AND SEWER DISTRICT  
WASHINGTON COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
For the YearS Ended December 31, 2016 and 2015**

|                                          | <b>2016</b>       | <b>2015</b>       |
|------------------------------------------|-------------------|-------------------|
| <b>Operating Cash Receipts:</b>          |                   |                   |
| Charges for Services                     | \$ 1,004,695      | \$ 1,001,692      |
| Customer Sales                           | 11,329            | 16,759            |
| Total Operating Cash Receipts            | 1,016,024         | 1,018,451         |
| <b>Operating Cash Disbursements:</b>     |                   |                   |
| Personal Services                        | 193,416           | 188,100           |
| Water PurchasePersonal Services          | 604,056           | 572,647           |
| Supplies                                 | 100               | 571               |
| Insurance                                | -                 | 6,712             |
| Wellfields                               | 661               | 93                |
| Truck Expense                            | 7,787             | 10,584            |
| Repairs & Maintenance                    | 18,656            | 22,111            |
| Utilities                                | 32,053            | 32,530            |
| Office Expense                           | 25,255            | 19,367            |
| Professional Expense                     | 15,054            | 9,199             |
| Total Operating Cash Disbursements       | 897,038           | 861,914           |
| Operating Income/(Loss)                  | 118,986           | 156,537           |
| <b>Non-Operating Cash Receipts:</b>      |                   |                   |
| Interest                                 | 1,890             | 567               |
| Total Non-operating Cash Receipts        | 1,890             | 567               |
| <b>Non-Operating Cash Disbursements:</b> |                   |                   |
| Capital Outlay                           | 73,586            | 67,297            |
| Debt Service:                            |                   |                   |
| Principal                                | 13,962            | 15,379            |
| Interest                                 | 1,135             | 950               |
| Total Non-operating Cash Disbursements   | 88,683            | 83,626            |
| Net Receipts Over/(Under) Disbursements  | 32,193            | 73,478            |
| Fund Cash Balance, January 1             | 651,072           | 577,594           |
| <b>Fund Cash Balance, December 31</b>    | <b>\$ 683,265</b> | <b>\$ 651,072</b> |

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

RENO AREA WATER AND SEWER DISTRICT  
WASHINGTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

**1. REPORTING ENTITY**

The Reno Area Water and Sewer District (the District), Washington County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. There are 5 Board of Trustees members. The members are elected to a three (3) term with two members elected each year. There is no limits to the number of terms that a board member can serve. The board members elected from the 1500+ members of the District. The District provides water and sewer services to residents of the District.

The District's Board of Trustees believes these financial statements present all activities for which the

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

**Basis of Accounting**

This financial statement follows the accounting basis permitted by financial reporting provision of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Budgetary Process**

The Ohio Revised Code requires the Board to budget annually.

RENO AREA WATER AND SEWER DISTRICT  
WASHINGTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgetary Process(Continued)**

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from the prior year (if any). Appropriations lapse at year end.

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

**Encumbrances** The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 and 2015 budgetary activity appears in Note 3.

**Deposits and Investments** The District's accounting basis includes investment as assets. This basis does not record disbursements of investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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

**Accumulated Leave** In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

RENO AREA WATER AND SEWER DISTRICT  
WASHINGTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

| <b>2016 Budgeted vs. Actual Receipts</b> |                 |           |
|------------------------------------------|-----------------|-----------|
| Budgeted Receipts                        | Actual Receipts | Variance  |
| \$1,014,418                              | \$1,017,914     | (\$3,496) |

| <b>2016 Budgeted vs. Actual Budgetary Basis Disbursements</b> |                         |          |
|---------------------------------------------------------------|-------------------------|----------|
| Appropriation Authority                                       | Budgetary Disbursements | Variance |
| \$1,017,140                                                   | \$985,721               | \$31,419 |

| <b>2015 Budgeted vs. Actual Receipts</b> |                 |           |
|------------------------------------------|-----------------|-----------|
| Budgeted Receipts                        | Actual Receipts | Variance  |
| \$1,014,468                              | \$1,019,018     | (\$4,550) |

| <b>2015 Budgeted vs. Actual Budgetary Basis Disbursements</b> |                         |          |
|---------------------------------------------------------------|-------------------------|----------|
| Appropriation Authority                                       | Budgetary Disbursements | Variance |
| \$1,028,245                                                   | \$945,540               | \$82,705 |

**4. DEPOSITS**

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

|                        | <u><b>2016</b></u> | <u><b>2015</b></u> |
|------------------------|--------------------|--------------------|
| Demand deposits        | \$381,708          | \$651,072          |
| Certificate of Deposit | <u>301,557</u>     | <u>-</u>           |
| Total                  | <u>\$683,265</u>   | <u>\$651,072</u>   |

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution with securities not in the District's name.

RENO AREA WATER AND SEWER DISTRICT  
WASHINGTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

**5. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

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

Settlement amounts did not exceed insurance coverage for the past three fiscal years. There has been no reduction in liability limits.

**6. DEFINED BENEFIT PENSION PLANS**

The District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2016 and 2015, OPERS members contributed 10% of their gross salaries and the District contributed 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2016.

**7. POSTEMPLOYMENT BENEFITS**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

RENO AREA WATER AND SEWER DISTRICT  
WASHINGTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

**8. DEBT**

Debt outstanding at December 31, 2016 was as follows:

|                              | Principal       | Interest Rate |
|------------------------------|-----------------|---------------|
| U.S. Army Corps of Engineers | \$8,250         | 0.00%         |
| OPWC – CR11B                 | 42,348          | 2.00%         |
| Total                        | <u>\$50,598</u> |               |

Debt outstanding at January 1, 2015 was overstated by \$8,352.

The District entered into a loan with the Ohio Public Works Commission to finance improvements, expansion and rehabilitation of its water facilities and lines. The loan was entered into in 2000 for \$206,666 and is being repaid with semi-annual installments \$6,294, bears an interest rate of 2% and matures in 2020.

The District entered into loans with the U.S. Army Corps of Engineers to finance water improvements. The loan is being repaid with annual installments of \$750 and bears a 0% rate of interest. The loan matures in 2027.

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

| Year Ending December 31 <sup>st</sup> | US Army Corp of Engineers | OPWC CR11B      |
|---------------------------------------|---------------------------|-----------------|
| 2017                                  | \$750                     | \$13,588        |
| 2018                                  | 750                       | 13,588          |
| 2019                                  | 750                       | 13,588          |
| 2020                                  | 750                       | 13,588          |
| 2021                                  | 750                       | -               |
| 2022-2026                             | 3,750                     | -               |
| 2027-2031                             | 750                       | -               |
| <b>TOTALS</b>                         | <u>\$8,250</u>            | <u>\$54,352</u> |

**9. CONTINGENT LIABILITIES**

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

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements of the Reno Area Water and Sewer District, Washington County, (the District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 20, 2017. We noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits.

***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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



***Charles E. Harris & Associates, Inc.***

June 20, 2017



RENO AREA WATER AND SEWER DISTRICT  
WASHINGTON COUNTY  
For the Years Ended December 31, 2016 and 2015

SCHEDULE OF PRIOR AUDIT FINDINGS

| FINDING NUMBER | FUNDING SUMMARY                                                                                                                          | STATUS    | ADDITIONAL INFORMATION |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------|-----------|------------------------|
| 2014-001       | <b>Ohio Rev. Code § 5705.28(B)(2)</b> prohibits a subdivision or taxing authority from expending money unless it has been appropriated.. | Corrected |                        |

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# Dave Yost • Auditor of State

**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  
SEPTEMBER 26, 2017**