RENO AREA WATER AND SEWER DISTRICT
WASHINGTON COUNTY
Regular Audit
For the Year Ended December 31, 2009

Perry & Associates
Certified Public Accountants, A.C.

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 *Independent Accountants' Report* of the Reno Area Water and Sewer District, Washington County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2009 through December 31, 2009. 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.

Dave Yost

Dave Yost
Auditor of State

July 5, 2011

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RENO AREA WATER AND SEWER DISTRICT
WASHINGTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

May 13, 2011

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

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities of **Reno Area Water and Sewer District,** Washington County, Ohio (the District) as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2009, and the respective changes in financial position and cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2011 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards.* You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

Respectfully Submitted,

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.

RENO AREA WATER AND SEWER DISTRICT
WASHINGTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Unaudited)

The following discussion provides a summary overview of the financial activities of the Reno Area Water and Sewer District ("the District") for the year ended December 31, 2009. The information should be read in conjunction with the basic financial statements included in this report.

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets decreased $64,012 from 2008.
- Total assets decreased $105,925 which represents a 4% decrease from 2008. This decrease is due mainly to a decrease in cash which resulted from the District paying its portion of waterline construction costs.
- Total liabilities decreased $41,913, which represents a 9.6% decrease from 2008. This variance is primarily due to debt principal payments.

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 Statement of Net Assets, the Statement of Revenues and Expenses and Changes in Net Assets, the Statement 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.

Net Assets

Table 1 provides a comparative analysis of 2009 and 2008.

(Table 1)

Net Assets

	2009	2008
Assets		
Current Assets	$ 398,260	$ 543,216
Capital Assets (Net)	1,883,088	1,844,057
Total Assets	2,281,348	2,387,273
Liabilities		
Current Liabilities	129,772	144,946
Long-term Liabilities	262,476	289,215
Total Liabilities	392,248	434,161
Net Assets		
Invested in Capital Assets, Net of Debt	1,590,672	1,511,539
Unrestricted	298,428	441,573
Total Net Assets	$ 1,889,100	$ 1,953,112

Note: 2008 amounts restated. See Note 9.

As noted earlier, the net assets may serve as a useful indicator of financial position. The District's assets exceed liabilities by $1,889,100 as of December 31, 2009.

The largest portion of the District's net assets is reflected in 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.

Changes in Net Assets

Table 2 shows the changes in net assets for the years ended December 31, 2009 and 2008.

(Table 2)
Changes in Net Assets

	2009	2008
Revenues		
Operating Revenues	$ 725,712	$ 805,609
Nonoperating Revenues	61,915	277,104
Total Revenues	787,627	1,082,713
Expenditures		
Operating Expenditures	840,909	716,832
Nonoperating Expenditures	10,730	13,887
Total Expenditures	851,639	730,719
Increase (Decrease) In Net Assets	(64,012)	351,994
Beginning Net Assets Restated	1,953,112	1,601,118
Ending Net Assets	$ 1,889,100	$ 1,953,112

2008 amounts have been restated. See Note 9.

Operating revenues consisted of user charges for water and sewer consumption. Operating expenses reflect the cost of providing these services.

Capital Assets

Table 3 provides a summary of the District's capital assets for 2009 and 2008.

(Table 3)
Capital Assets

	2009	2008
Land	$ 37,440	$ 37,440
Buildings	69,938	69,938
Furniture and Equipment	189,670	189,670
Line Systems	3,593,004	2,846,359
Construction in Progress	-	584,785
Less: Accumulated Depreciation	(2,006,964)	(1,884,135)
Total	$ 1,883,088	$ 1,844,057

Debt Administration

The District finances its construction primarily through the issuance of low interest loan programs with the Ohio Public Works Commission and U.S. Government and no interest loans with the US Army Engineer Division. At December 31, 2009, the District had total debt outstanding of $292,416 compared to $332,518 at December 31, 2008. This represents a decrease of $40,102 from payments on principal of the debt. There were no additions to debt during 2009.

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

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 office at 170 Mount Tom Road, Marietta, OH 45750.

RENO AREA WATER & SEWER DISTRICT
WASHINGTON COUNTY

STATEMENT OF NET ASSETS
DECEMBER 31, 2009

ASSETS:		
Current Assets:		
Cash and Cash Equivalents	$	263,086
Accounts Receivable		111,889
Inventory		10,007
Prepaid Expenses		13,278
Total Current Assets		398,260
Non-Current Assets:		
Land		37,440
Depreciable Capital Assets, Net		1,845,648
Total Non-Current Assets		1,883,088
TOTAL ASSETS	**$**	**2,281,348**
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts Payable	$	65,799
Accrued Expenses		9,593
Customer Meter Deposits		11,075
Current Portion of Long-Term Liabilities		43,305
Total Current Liabilities		129,772
Long-Term Liabilities:		
Compensated Absences		13,365
Notes Payable		249,111
Total Long-Term Liabilities		262,476
TOTAL LIABILITIES	**$**	**392,248**
Net Assets:		
Invested in Capital Assets, Net of Related Debt		1,590,672
Unrestricted		298,428
Total Net Assets		1,889,100
TOTAL LIABILITIES AND NET ASSETS	**$**	**2,281,348**

The notes to the financial statements are an intregal part of this statement.

RENO AREA WATER & SEWER DISTRICT
WASHINGTON COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

Operating Revenues:		
Water and Sewer Sales	$	718,902
Application, Reconnect, and Tap Fees		6,810
Total Operating Revenues		725,712
Operating Expenses:		
Water Purchases		375,859
Personnel Expenses		206,752
Utilities and Telecommunications		35,065
Maintenance and Operations		55,815
Office Expenses and Operations		31,624
Professional Fees		12,965
Depreciation Expense		122,829
Total Operating Expenses		840,909
Operating Income / (Loss)		(115,197)
Nonoperating Revenues/(Expenses):		
Grant Proceeds		57,908
Interest Revenue		4,007
Interest Expense		(10,730)
Total Nonoperating Revenues/(Expenses)		51,185
Change in Net Assets		(64,012)
Net Assets - January 1 - Restated (See Note 9)		1,953,112
Net Assets - December 31	**$**	**1,889,100**

The notes to the financial statements are an intregal part of this statement.

RENO AREA WATER & SEWER DISTRICT
WASHINGTON COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

Cash Flows from Operating Activities:	
Cash Received from Water Sales and Tap Fees	$ 729,929
Cash Payments to Suppliers for Goods and Services	(514,782)
Cash Payments to Employees for Services	(203,366)
Net Cash Provided by (Used by) Operations	11,781
Cash Flows from Capital and Related Financing Activities:	
Capital Grant Proceeds	57,908
Acquisition and Construction of Capital Assets	(159,874)
Principal Paid on Long-Term Debt	(40,102)
Interest Paid	(10,730)
Net Cash Provided by (Used by) Capital and Related Financing Activities	(152,798)
Cash Flows from Investing Activities:	
Interest Received	4,007
Net Cash Provided by (Used by) Investing Activities	4,007
Net Increase/(Decrease) in Cash and Cash Equivalents	(137,010)
Cash and Cash Equivalents - January 1	400,096
Cash and Cash Equivalents - December 31	**$ 263,086**
Cash Flows from Operating Activities:	
Operating Income	(115,197)
Adjustments to Reconcile Operating Income to Cash Flows from Operating Activities:	
Depreciation	122,829
(Increase) Decrease in Accounts Receivable	4,217
(Increase) Decrease in Inventory	6,195
(Increase) Decrease in Prepaid Assets	(2,466)
Increase (Decrease) in Accounts Payable	(7,184)
Increase (Decrease) in Accrued Expenses	3,387
Total Adjustments	126,978
Net Cash Provided by (Used by) Operating Activities	**$ 11,781**

The notes to the financial statements are an intregal part of this statement.

Note 1 – Reporting 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 operates under the direction of a five-member Board of Trustees. An appointed Secretary/Treasurer is responsible for the fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply and a sanitary system for the District's residential and business users. 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.

The District's management believes the basic financial statements included in this report represent all activities over which the District has the ability to exercise direct operating control.

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 on or before November 30, 1989, to its business type activities and enterprise funds 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.

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. 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. 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.

D. Capital Assets and Depreciation

The Authority's capitalization threshold is $5,000. Fixed assets acquired or constructed for the general use of the District in providing services are recorded at cost. Construction costs of the water system are capitalized on construction projects until they are substantially completed. Interest incurred on debt as a result of obtaining capital assets is not capitalized. 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. All assets reported in the financial statements are at cost less accumulated depreciation. The estimated useful lives by major fixed asset class are as follows:

Buildings and Water System	40 Years
Furniture and Fixtures	10 Years
Office Equipment	5 Years
Laboratory Equipment	10 Years
Machinery and Equipment	6 Years
Park System, Tanks and Booster Stations	20 Years
Tools and Equipment	10 Years
Transportation Equipment	5 Years

E. 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

F. 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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, 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.

H. 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.

I. Tax-exempt Status

The District is a governmental agency and is, therefore, exempt from federal, state, and local income and sales taxes.

J. Long-term Obligations

Long-term debts are reported as liabilities.

K. Use of Estimates

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.

Note 2 – Summary of Significant Accounting Policies (Continued)

L. Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities. Revenues are recognized when earned and expenses when incurred. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the District's policy to apply those expenses to unrestricted net assets to the extent such are available and then to restricted net assets.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. None of the District's Net Assets was restricted by enabling legislation at December 31, 2009.

Note 3 – Deposits

State statutes classify monies held by the District into three categories. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current five-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 monies may be deposited or invested in the following securities:

State statute permits monies to 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 or interest by the United States;

Note 3 – Deposits (Continued)

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-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

6. The State Treasurer's investment pool (STAROhio).

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 in 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. Investments must mature within 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.

Investments may only be made through specified dealers and institutions. Payment 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.

Deposits: Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. Protection of the District's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public funds deposited. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institution.

At year end, the carrying amount of the District's deposits was $263,086, and the bank balance was $275,248. Based on criteria described in GASB Statement No. 40 "Deposits and Investment Risk Disclosures", as of December 31, 2009, $25,248 of the District's bank balance of $275,248 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

RENO AREA WATER AND SEWER DISTRICT
WASHINGTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 4 – Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

Name	Balance 12/31/08	Increases	Decreases	Balance 12/31/09
Capital assets, not being depreciated:				
Land	$ 37,440	$ -	$ -	$ 37,440
Construction in Progress*	584,785	161,860	746,645	-
Total capital assets, not being depreciated	622,225	161,860	746,645	37,440
Capital assets, being depreciated:				
Buildings	69,938	-	-	69,938
Furniture and Equipment	189,670	-	-	189,670
Line Systems	2,846,359	746,645	-	3,593,004
Total capital assets, being depreciated	3,105,967	746,645	-	3,852,612
Less accumulated depreciation:				
Buildings	(53,439)	(2,448)	-	(55,887)
Furniture and Equipment	(168,575)	(10,660)	-	(179,235)
Line Systems	(1,662,121)	(109,721)	-	(1,771,842)
Total accumulated depreciation	(1,884,135)	(122,829)	-	(2,006,964)
Total capital assets being depreciated, net	1,221,832	623,816	-	1,845,648
Total capital assets, net	$ 1,844,057	$ 785,676	$ 746,645	$ 1,883,088

* Amounts restated see Note 9.

Note 5 – Long-Term Debt

Changes in long-term obligations payable during 2009 were as follows:

Name	Description	Principal Outstanding 12/31/08	Additions	Deletions	Principal Outstanding 12/31/09	Due in One Year
General Electric Credit Corporation	Notes dated February 25, 1979, due 2019, with interest at 5%	$ 76,140	$ -	$ 14,000	$ 62,140	$ 16,000
General Electric Credit Corporation	Notes dated September 17, 1982, due 2022, with interest at 5%	87,957	-	12,000	75,957	13,000
United States Dept. of Army – Corp of Engineers	Contract dated June 30, 1998, due 2029	15,000	-	750	14,250	750
Ohio Public Works Commission	Notes dated November 8, 1996, due 2016	24,669	-	3,289	21,380	3,289
Ohio Public Works Commission	1% Note dated May 17, 1999, due 2020	128,752	-	10,063	118,689	10,266
	Total long-term debt	$ 332,518	$ -	$ 40,102	$ 292,416	$ 43,305

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.

Reno Area Water and Sewer District is required to make payments of $750 per year for 40 years, beginning July 1, 1989, to the United States Government for credits on the Willow Island Project.

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, 2009 are as follows:

Note 5 – Long-Term Debt (Continued)

Year Ending 12/31	1979 GECC Note		1982 GECC Note		Army Corps Of Engineers	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 16,000	$ 3,107	$ 13,000	$ 3,798	$ 750	$ -
2011	17,000	2,307	14,000	3,148	750	-
2012	18,000	1,457	15,000	2,448	750	-
2013	11,140	557	16,000	1,698	750	-
2014	-	-	17,000	898	750	-
2015-2019	-	-	957	48	3,750	-
2020-2024	-	-	-	-	3,750	-
2025-2028	-	-	-	-	3,000	-
Total	$ 62,140	$ 7,428	$ 75,957	$ 12,038	$ 14,250	$ -

	OPWC Loan CR933		OPWC Loan CR11B		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 3,289	$ -	$ 10,266	$ 2,320	$ 43,305	$ 9,225
2011	3,289	-	11,052	2,102	46,091	7,557
2012	3,289	-	11,274	1,880	48,313	5,785
2013	3,289	-	11,501	1,653	42,680	3,908
2014	3,289	-	11,732	1,422	32,771	2,320
2015-2019	4,935	-	62,864	3,477	72,506	3,525
2020-2024	-	-	-	-	3,750	-
2025-2028	-	-	-	-	3,000	-
Total	$ 21,380	$ -	$ 118,689	$ 12,854	$ 292,416	$ 32,320

Note 6 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
2. The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.

Note 6 – Defined Benefit Pension Plan (Continued)

3. The Combined Plan (CO) – a cost sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contribution to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

B. OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

C. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to the OPERS at 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 222-5601 or 1-800-222-PERS (7377).

E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans. While members in state and local divisions of may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan.

The 2009 member contribution rates were 10.0% for members in state and local classifications.

The 2009 employer contribution rate for state employers and local employers was 14.0% of covered payroll. The rates are the actuarially determined contribution requirements for OPERS. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records.

The District's contributions to OPERS for the years ended December 31, 2009, 2008, and 2007, were $16,840, $24,390 and $22,354, respectively.

Note 7 - Post Employment Benefits

A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; The Member-Directed Plan (MD) – a defined contribution plan; The Combined Plan (CO) – a cost sharing multiple-employer defined benefit pension plan that has elements of both the defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying member of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits including post-employment health care coverage.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Note 7 - Post employment Benefits (Continued)

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to the OPERS at 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 222-5601 or 1-800-222-PERS (7377).

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rate are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14% of covered payroll, and public safety and law enforcement employers contributed a 17.63%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

C. Information from employer's records

The rates stated in Section B, above, are the contractually required contribution rates for OPERS. The employer contributions that were used to fund post-employment benefits were $7,217 for 2009, $12,195 for 2008, and $8,877 for 2007.

D. OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1, of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Note 8 – 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.

RENO AREA WATER AND SEWER DISTRICT
WASHINGTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 9 – Prior Period Restatement

Net assets at December 31, 2008 were restated as follows:

Net Assets	Prior to Restatement	Adjustment	Restated
Invested in Capital Assets , Net of Related Debt	$ 1,248,047	$ 263,492	$ 1,511,539
Unrestricted	441,573	-	441,573
Total Net Assets	$ 1,689,620	$ 263,492	$ 1,953,112

The adjustment was recorded to accurately reflect grant dollars that were received for capital projects.

Note 10 – Subsequent Events

The Board has evaluated events subsequent to the date of the basic financial statements through May 13, 2011, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial date through May 13, 2011 that would require adjustment or disclosure in the financial statements.

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

May 13, 2011

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

To the Board of Trustees:

We have audited the financial statements of the business-type activities of **Reno Area Water and Sewer District,** Washington County, Ohio (the District), as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 13, 2011. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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 combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of audit findings that we consider significant deficiencies in internal control over financial reporting. We consider findings 2009-01 through 2009-07 to be significant deficiencies. 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.

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, providing an opinion 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-005 and 2009-006.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Audit Findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of Trustees and others within the District. It is not intended for anyone other than these specified parties.

Respectfully Submitted,

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.

RENO AREA WATER AND SEWER DISTRICT
WASHINGTON COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2009

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2009-01

Significant Deficiency

Approval of Timesheets

During our testing of payroll, no consistent evidence could be found to indicate employee timesheets were reviewed and approved by a supervisor or by district Trustees prior to submission and payment. This condition could result in employees being inaccurately paid.

We recommend that all employee payroll timesheets be reviewed and approved by a supervisor and/or trustee prior to payment being issued. This approval should be indicated by the supervisor/trustee initialing the timesheet.

Management's Response – The Operations Supervisor and Board President now approve all time cards.

FINDING NUMBER 2009-02

Significant Deficiency

Delinquent Water Accounts

The District does not have a formal policy for the monitoring of delinquent water accounts. As a result, the District has an increased risk of not receiving monies owed for water and sewer utilities. Also, the District's financial statement do not accurately reflect the past due receivable amount and any related allowance and bad debt expense.

The Board should adopt a policy detailing the methodology used to distinguish delinquent from uncollectible and the procedures for collecting on delinquent accounts. This policy should address the following issues:

- The monitoring and frequency of review for delinquent accounts
- The procedures to be utilized in an attempt to collect a delinquent account
- The period of time an account may remain delinquent before being classified as uncollectible; and
- The procedures for writing off an account as uncollectible

This will help ensure the District has adequate policies and procedures in place for managing delinquent accounts.

Management's Response – The Board is aware of this matter and is discussing necessary action.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2009-03

Significant Deficiency

Monitoring of Adjustment Reports

Trustees were not presented with and did not review any adjustment reports relating to customer billing. This could result in an increased risk of the District not receiving monies owed for water and sewer utilities. Also, inappropriate adjustments are more likely to occur without proper approval from the Trustees prior to an adjustment being made.

We recommend the Trustees review and approve bill adjustment reports on a monthly basis.

Management's Response – The Supervisor and Board will review adjustments report bi-monthly.

FINDING NUMBER 2009-04

Significant Deficiency

Segregation of Duties

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.

Management's Response – Reorganization occurred in 2011 and duties were adequately segregated.

FINDING NUMBER 2009-05

Noncompliance Citation/Significant Deficiency

Ohio Revised Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2009-05 (Continued)

Ohio Revised Code § 5705.41(D)(1) (Continued)

1. "Then and Now" certificate - If the fiscal officer (Clerk) can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Board of Township Trustees) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than $1,000 (which was increased to $3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates not exceeding $5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The District did not properly certify the availability of funds prior to purchase commitments in 2009 for 100% of the expenditures.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Clerk or Accountant certify that the funds are or will be available prior to an obligation being incurred by the District. When prior certification is not possible, "then and now" certification should be used.

Management's Response – The Board is considering the cost effectiveness of implementing additional controls.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2009-06

Noncompliance Citation/ Significant Deficiency

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in 2009.

We recommend the District Clerk or Accountant modify appropriations with the Board of Trustees before incurring obligations that would cause expenditures to exceed appropriations. The District Clerk or Accountant should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

Management's Response – The Board is considering the cost effectiveness of implementing additional controls.

FINDING NUMBER 2009-07

Significant Deficiency

Prior Period Restatement

A restatement of beginning balances was required due to the matching portion of a Community Development Block Grant not being reflected on the District's prior financial statements. The District identified the error and corrected the error by adjusting 2008 financial statements.

We recommend the District Clerk or Accountant refer to generally accepted accounting standards when preparing the financial statements.

Management's Response – The Board and management will review the compilation report draft in more detail in the future.

RENO AREA WATER AND SEWER DISTRICT
WASHINGTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2008-001	Employees not Properly Reported	Yes	
2008-002	Approval of Timesheets	No	Repeated as 2009-001
2008-003	Delinquent Accounts	No	Repeated as 2009-002
2008-004	Monitoring of Adjustments Reports	No	Repeated as 2009-003
2008-005	Segregation of Duties	No	Repeated as 2009-004
2008-006	Ohio Revised Code Section 5705.41(D)(1)	No	Repeated as 2009-005
2008-007	Ohio Revised Code Section 5705.41(B)	No	Repeated as 2009-006

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
JULY 19, 2011

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