

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

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2014 & 2013***







# 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 Accountants of the Reno Area Water and Sewer District, Washington County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2014. 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

October 22, 2015

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**RENO AREA WATER AND SEWER DISTRICT  
WASHINGTON COUNTY  
AUDIT REPORT  
For Years Ending December 31, 2014 and 2013**

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

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REPORT OF INDEPENDENT ACCOUNTANTS

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 and related notes of the Reno Area Water and Sewer District, Washington County, (the District) as of and for the years ended December 31, 2014 and 2013.

***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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D); 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 1 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, 2014 and 2013, or changes in financial position or its cash flows 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, 2014 and 2013, 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) permits, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015, 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 30, 2015

RENO AREA WATER AND SEWER DISTRICT  
WASHINGTON COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCE

For the Years Ended December 31, 2014 and 2013

	<b>2014</b>	<b>2013</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$ 971,049	\$ 820,067
Customer Sales	18,196	8,487
Miscellaneous	-	3
	989,245	828,557
<b>Operating Cash Disbursements:</b>		
Personnel	173,720	170,883
Water Purchases	505,506	401,872
Supplies	3,409	-
Insurance	6,473	6,377
Wellfields	393	284
Truck Expense	9,699	9,837
Repairs & Maintenance	15,980	41,307
Utilities	37,568	34,760
Office Expense	17,126	16,708
Professional	832	9,127
Capital Outlay	56,262	75,995
	826,968	767,150
Operating Income/(Loss)	162,277	61,407
<b>Non-Operating Cash Receipts:</b>		
Interest	614	564
	614	564
<b>Non-Operating Cash Disbursements:</b>		
Debt Service		
Principal Retirement	37,113	41,840
Interest and Fiscal Charges	3,502	3,280
	40,615	45,120
Net Receipts Over/(Under) Disbursements	122,276	16,851
Cash Balances, January 1	455,318	438,467
<b>Cash Balances, December 31</b>	<b>\$ 577,594</b>	<b>\$ 455,318</b>

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

RENO AREA WATER AND SEWER DISTRICT  
WASHINGTON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges for the Reno Water and Sewer District, Washington County, (the District) as a body corporate and politic. The District is directed by an appointed five-member Board of Directors whose membership is composed of trustees elected every three years by water service customers whose accounts are in good standing. The Directors elect a president, vice president and secretary treasurer, who are responsible for fiscal control of the resources of the District. The District provides water and sewer services to residents of the District.

The District's management believes these financial statements present all activities for which the District is financially accountable

**B. Accounting Basis**

These financial statements follow 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). 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).

These statements include 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.

**C. Deposits and Investments**

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

**D. Budgetary Process**

The Ohio Revised Code requires the Board to budget annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function or 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.

**2. Estimated Resources**

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

RENO AREA WATER AND SEWER DISTRICT  
WASHINGTON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- (Continued)**

**D. Budgetary Process – (Continued)**

**3. Encumbrances**

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**E. Property, Plant, and Equipment**

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

**F. 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.

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

The District may invest in certificates of deposits, notes, bonds, or other obligations of the United States, or any agency or instrumentality thereof, or in obligations of the State or any political subdivision thereof.

The carrying amount of deposits at December 31 was as follows:

	2014	2013
Demand deposits	\$577,594	\$455,318
Total deposits	\$577,594	\$455,318

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation and collateralized by securities specifically pledged by the financial institution to the District.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts		
Budgeted	Actual	
Receipts	Receipts	Variance
\$1,020,648	\$989,859	(\$30,789)

RENO AREA WATER AND SEWER DISTRICT  
WASHINGTON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

**3. BUDGETARY ACTIVITY (Continued)**

2014 Budgeted vs. Actual Budgetary Basis Disbursements		
Appropriation Authority	Budgetary Disbursements	Variance
\$907,664	\$867,583	\$40,081

2013 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$831,818	\$829,121	(\$2,697)

2013 Budgeted vs. Actual Budgetary Basis Disbursements		
Appropriation Authority	Budgetary Disbursements	Variance
\$691,620	\$812,270	(\$120,650)

Contrary to Ohio Rev. Code Section 5705.41(B), the District had expenditures in excess of appropriations for 2013.

**4. DEBT**

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Berkadia, GECC Note	\$ 5,957	5.00%
U.S. Army Corps of Engineers	10,500	0.00%
Ohio Public Works Commission Loan CR933	6,579	0.00%
Ohio Public Works Commission Loan CR11B	65,255	2.00%
Total	\$ 88,291	

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 a loan with the Ohio Public Works Commission to finance the extension of waterlines. The loan was entered into in 1996 for \$65,785 and is being repaid with semi-annual installments \$1,644, bears an interest rate of 0% and matures in 2016.

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 2028.

The District also entered into a loan with the GECC to finance water improvements. The loan is being repaid with annual installments of \$15,000 plus interest and bears a 5% rate of interest. The loan matures in 2015.

RENO AREA WATER AND SEWER DISTRICT  
WASHINGTON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

**4. DEBT – (Continued)**

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

Year Ending December 31:	US Army Corps of Engineers	OPWC CR11B	OPWC CR933	GECC
2015	\$ 750	\$ 6,294	\$ 3,288	\$ 6,254
2016	750	13,588	3,291	-
2017	750	13,588	-	-
2018	750	13,588	-	-
2019	750	13,588	-	-
2020-2024	3,750	13,588	-	-
2025-2029	3,000	-	-	-
Total	\$ 10,500	\$ 74,234	\$ 6,579	\$ 6,254

**5. RETIREMENT SYSTEMS**

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 2014 and 2013, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2014.

**6. 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.

**7. CONTINGENT LIABILITIES**

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

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

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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 Reno Area Water and Sewer District, Washington County, (the District) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 30, 2015, wherein 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 an instance of noncompliance or other matter we must report under *Government Auditing Standard*, which is described in the accompanying schedule of findings as item 2014-001.

***Entity's Response to Finding***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

***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 30, 2015

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001  
Noncompliance Citation**

**Ohio Rev. Code § 5705.28(B)(2)** prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

We noted the following fund had disbursements plus encumbrances that exceeded appropriations at December 31, 2013:

Fund	Approved Appropriations	Budgetary Disbursements	Variance
Water and Sewer Fund	\$691,620	\$812,270	\$ (120,650)

The Secretary/Treasurer should deny payment requests exceeding appropriations, as required by **Ohio Rev. Code Section 5705.28(B)(2)**. We recommend the Board and the Field Supervisor compare expenditures to appropriations on a regular basis. If appropriations in addition to those already adopted will be needed, then the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

**Management's Response:**

We have reviewed budgetary requirements and implemented the necessary changes during 2014.



# 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  
NOVEMBER 5, 2015**