



Dave Yost • Auditor of State

**EASTERN OHIO REGIONAL WASTEWATER AUTHORITY
BELMONT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Eastern Ohio Regional Wastewater Authority
Belmont County
P.O. Box 508
Bridgeport, Ohio 43912

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Eastern Ohio Regional Wastewater Authority, Belmont County, Ohio (the Authority), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 Authority'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 Authority'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 overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Eastern Ohio Regional Wastewater Authority, Belmont County, Ohio, as of December 31, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2016, on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

March 15, 2016

Eastern Ohio Regional Wastewater Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

The discussion and analysis of the Eastern Ohio Regional Wastewater Authority's (the "Authority") financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- The Authority's total net position increased by 5.4 percent, or \$752,998, from the total net position at the beginning of the year 2014.
- Total assets increased by \$554,138 from 2013, due primarily to increases in cash, as well as accounts receivable from increased rates and increase in capital assets due to new acquisitions.
- Total liabilities decreased by 5.1 percent, or \$203,405, from 2013, due primarily to decreases in long term liabilities resulting from the payment of debt.

Using this Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, the Statement of Cash Flows, and the accompanying notes to the financial statements. These statements report information about the Authority as a whole and about its activities. The Authority utilizes 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 Position presents the Authority's financial position and reports the resources owned by the Authority (assets), obligations owed by the Authority (liabilities), and the Authority's net position (the difference between assets and liabilities). The Statement of Revenues, Expenses and Changes in Net Position presents a summary of how the Authority's net position changed during the year. Revenue is reported when earned and expenses are reported when incurred. The Statement of Cash Flows provides information about the Authority'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.

Eastern Ohio Regional Wastewater Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

The Authority as a Whole

Recall that the Statement of Net Position looks at the Authority as a whole. Table 1 provides a summary of the Authority's net position for 2014 compared to 2013.

Table 1		
Net Position		
	Business-Type Activities	
	2014	2013
Assets		
Current and Other Assets	\$5,792,517	\$5,519,399
Noncurrent Assets	2,793,654	2,554,066
Capital Assets, Net	9,787,027	9,745,595
<i>Total Assets</i>	<u>18,373,198</u>	<u>17,819,060</u>
Deferred Outflows of Resources		
Deferred Charge on Refunding	49,993	54,538
Liabilities		
Current and Other Liabilities	453,050	455,044
Noncurrent Liabilities	3,300,021	3,501,432
<i>Total Liabilities</i>	<u>3,753,071</u>	<u>3,956,476</u>
Net Position		
Net Investment in		
Capital Assets	7,340,302	7,224,930
Restricted	588,397	587,627
Unrestricted	6,741,421	6,104,565
<i>Total Net Position</i>	<u>\$14,670,120</u>	<u>\$13,917,122</u>

The increase in net position for 2014 was due to an increase in accounts receivable as a result of a rate increase and an increase in cash and cash equivalents. There was also a decrease in total liabilities primarily due to the repayment of debt, and reduced compensated absences based on turnover of staff.

Eastern Ohio Regional Wastewater Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Table 2 shows the changes in net position for 2014 as compared to 2013.

Table 2
Changes in Net Position

	Business- Type Activities 2014	Business- Type Activities 2013
Operating Revenues		
Charges for Services	\$3,474,437	\$3,098,639
Other Operating Revenue	50,153	34,851
Non-Operating Revenues		
Interest	7,162	6,405
Gain on Disposal of Capital Assets	1,805	0
Total Revenues	<u>3,533,557</u>	<u>3,139,895</u>
Operating Expenses		
Personal Services	835,780	776,045
Fringe Benefits	513,048	460,284
Contractual Services	656,113	446,595
Materials and Supplies	178,350	209,287
Depreciation	468,198	603,568
Non-Operating Expenses		
Interest and Fiscal Charges	129,070	84,579
Issuance Costs	0	105,614
Total Expenses	<u>2,780,559</u>	<u>2,685,972</u>
Change in Net Position	752,998	453,923
Net Position Beginning of Year	13,917,122	13,463,199
Net Position End of Year	<u>\$14,670,120</u>	<u>\$13,917,122</u>

Capital Assets and Debt Administration

Capital Assets

At the end of 2014, the Authority had \$9,787,027 invested in capital assets, net of accumulated depreciation. Table 3 shows fiscal year 2014 balances compared to 2013.

Eastern Ohio Regional Wastewater Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Table 3
Capital Assets
(Net of Depreciation)

	2014	2013
Land	\$122,932	\$122,932
Construction in Progress	59,200	0
Sewer Lines	242,079	156,706
Pumping and Ejector Stations	2,023,151	1,957,421
Treatment Plant	7,271,180	7,442,207
Furniture and Fixtures	68,485	66,329
Totals	<u>\$9,787,027</u>	<u>\$9,745,595</u>

The total increase in the Authority's capital assets, net of accumulated depreciation, for the current year was \$41,432.

For additional information on capital assets, see Note 10 to the basic financial statements.

Debt

As of December 31, 2014, and December 31, 2013, the Authority had total long-term debt in the amount of \$3,446,731 and \$3,626,372, respectively.

For additional information on debt, see Note 11 to the basic financial statements.

Current Issues

The Authority continues to increase efficiencies and automate more of its operations. These improvements continue to aid the Authority in reducing its personnel costs and related fringe benefits. All reductions have been accomplished through attrition. The current sewer rate of \$25.00 per month continues to sustain Authority operations and allow for capital improvements as needed. Rates are set to increase to \$26.00 on January 1, 2015 per the Sewage Rate Resolution passed on September 8, 2010.

Requests for Information

This financial report is designed to provide the Authority's citizens, taxpayers, ratepayers, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report, please contact Valerie Moore, Executive Director, Eastern Ohio Regional Wastewater Authority, 6000 North Guernsey Street, Bellaire, Ohio 43906, by telephone at (740) 676-5911, or email to vmoore@eorwa.org.

Eastern Ohio Regional Wastewater Authority

Statement of Net Position

December 31, 2014

Assets

Current:

Equity in Pooled Cash and Cash Equivalents	\$5,446,561
Accounts Receivable	332,677
Prepaid Items	13,279
	<u> </u>

Total Current Assets 5,792,517

Noncurrent:

Restricted Assets:

Cash and Cash Equivalents in Segregated Accounts	313,090
Investments with Fiscal and Escrow Agents	1,221,893
Accounts Receivable (Net of Allowance for Doubtful Accounts)	1,209,640
Unamortized Bond Insurance Premium	49,031
Non-Depreciable Capital Assets	182,132
Depreciable Capital Assets, Net	9,604,895
	<u> </u>

Total Noncurrent Assets 12,580,681

Total Assets 18,373,198

Deferred Outflows of Resources

Deferred Charge on Refunding	49,993
	<u> </u>

Liabilities

Current:

Accounts Payable	66,833
Accrued Wages and Benefits Payable	11,548
Intergovernmental Payable	28,521
Accrued Interest Payable	5,679
Unearned Revenue	120,677
Compensated Absences Payable	34,792
Current Portion of Revenue Bonds Payable	185,000
	<u> </u>

Total Current Liabilities 453,050

Long-Term (Net of Current Portion):

Compensated Absences Payable	38,290
Revenue Bonds Payable	3,261,731
	<u> </u>

Total Long-Term Liabilities 3,300,021

Total Liabilities 3,753,071

Net Position

Net Investment in Capital Assets	7,340,302
Restricted for Debt Service	275,307
Restricted for Capital Improvements	313,090
Unrestricted	6,741,421
	<u> </u>

Total Net Position \$14,670,120

See accompanying notes to the basic financial statements

Eastern Ohio Regional Wastewater Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2014

Operating Revenues	
Charges for Services	\$3,474,437
Other	50,153
	<u>50,153</u>
<i>Total Operating Revenues</i>	<u>3,524,590</u>
Operating Expenses	
Personal Services	835,780
Fringe Benefits	513,048
Contractual Services	656,113
Materials and Supplies	178,350
Depreciation	468,198
	<u>468,198</u>
<i>Total Operating Expenses</i>	<u>2,651,489</u>
<i>Operating Income</i>	<u>873,101</u>
Non-Operating Revenues (Expenses)	
Interest	7,162
Gain on Disposal of Fixed Assets	1,805
Interest and Fiscal Charges	(129,070)
	<u>(129,070)</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(120,103)</u>
<i>Change in Net Position</i>	752,998
<i>Net Position Beginning of Year</i>	<u>13,917,122</u>
<i>Net Position End of Year</i>	<u><u>\$14,670,120</u></u>

See accompanying notes to the basic financial statements

Eastern Ohio Regional Wastewater Authority

Statement of Cash Flows

For the Year Ended December 31, 2014

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Customers	\$3,240,365
Other Cash Receipts	50,153
Cash Payments for Employee Services and Benefits	(1,401,464)
Cash Payments for Goods and Services	(793,946)
<i>Net Cash Provided by Operating Activities</i>	<u>1,095,108</u>

Cash Flows from Capital and Related Financing Activities

Payments for Capital Acquisitions	(518,825)
Proceeds from Sale of Capital Assets	11,000
Principal Paid on Refunding Bonds	(180,000)
Interest Paid on Revenue Bonds	(122,330)
<i>Net Cash Provided by Capital and Related Financing Activities</i>	<u>(810,155)</u>

Cash Flows from Investing Activities

Interest	<u>7,162</u>
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Net Increase in Cash and Cash Equivalents 292,115

Cash and Cash Equivalents Beginning of Year 6,689,429

Cash and Cash Equivalents End of Year \$6,981,544

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities**

Operating Income	\$873,101
Adjustments:	
Depreciation	468,198
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(243,510)
Decrease in Prepaid Items	20,787
Increase in Unearned Revenue	9,438
Increase in Accounts Payable	19,176
Decrease in Accrued Wages and Benefits Payable	(23,705)
Decrease in Intergovernmental Payable	(3,995)
Decrease in Compensated Absences Payable	(24,382)
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$1,095,108</u></u>

See accompanying notes to the basic financial statements

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Eastern Ohio Regional Wastewater Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2014

Note 1 - Description of the Entity

The Belmont County Sewer Authority No. One, which currently operates as the Eastern Ohio Regional Wastewater Authority, Belmont County (the “Authority”) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority was formed on June 4, 1958 by journal entry in the Court of Common Pleas, Belmont County, Ohio. The Authority is directed by a 4-member Board of Directors comprised of one representative each from the Village of Bellaire, the City of Martins Ferry, the Village of Brookside, and the Village of Bridgeport. The Authority provides sewer services to residents of the participating members and its operations are defined by Section 6119.01 of the Ohio Revised Code. The Authority has no component units.

In accordance with the Statements of the Governmental Accounting Standards Board, including GASB No. 14 and GASB No. 61, the accompanying financial statements include all funds and activities over which the Authority is financially accountable.

The Authority is associated with the Ohio Rural Water Association Worker’s Compensation Group Rating Plan that is an insurance purchasing pool. This organization is presented in Note 8 to the financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) 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 more significant of the Authority’s accounting policies are described below.

Basis of Presentation

The Authority’s basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The Authority uses fund accounting to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Authority combines the various funds into a single enterprise fund for financial statement reporting purposes.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of management is that the 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 net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Eastern Ohio Regional Wastewater Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2014

Measurement Focus

All enterprise funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Authority are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Authority's financial statements are prepared using the accrual basis of accounting. On the accrual basis, revenue is recorded on exchange transactions when the exchange takes place. Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include capital contributions. Expenses are recognized at the time they are incurred.

Cash and Investments

Cash balances of the Authority's enterprise fund, except cash held by a trustee or fiscal agent, are invested in cash and short-term investments in order to provide improved cash management. During 2014, investments were limited to sweep accounts and money market mutual funds, which are reported at cost.

For purposes of the statement of cash flows and for presentation on the Statement of Net Position, investments with original maturities of three months or less are considered cash equivalents.

Restricted Assets

Certain resources are restricted on the Statement of Net Position for repayment of revenue bonds in accordance with applicable bond covenants, as well as unspent capital debt proceeds restricted for capital improvement.

Inventory of Supplies

Inventories are stated at cost and are determined on a first-in, first-out basis. The costs of inventory items are recorded as expenses when used.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the balance sheet date are recorded as prepaid items using the consumption method. A current asset for prepaid amounts is recorded at the time of payment, and an expense is reported at the time services are consumed.

Capital Assets

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not included or capitalized. Property, plant and equipment of the Authority are recorded at their estimated fair values upon the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Eastern Ohio Regional Wastewater Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2014

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Authority was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The Authority maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest costs incurred during the construction of capital assets utilized by the enterprise funds are also capitalized. All infrastructure of the Authority has been reported, including infrastructure acquired or constructed prior to 1980. All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Authority's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Sewer Lines	50 years
Buildings	30-45 years
Buildings Improvements	10-45 years
Office Equipment	10-15 years
Vehicles	10 years

Accounts Receivable

Accounts receivable are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible. The uncollectible estimate is maintained by management at a level considered adequate to cover possible losses that are currently anticipated based on past experience, general economic conditions, information about specific account situation, and other factors and estimates which are subject to change over time.

Management considers all accounts receivable to be collected in full and may periodically allocate portions of the uncollectible estimate for specific problem accounts, with the whole estimate available for any debts that occur. An account is charged off by management as a loss when deemed uncollectible, although most delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. The receivables that are certified are not expected to be collected within one year and will make up the noncurrent portion of the accounts receivable.

Compensated Absences

Government Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, specifies the methods used to accrue liabilities for leave benefits. Vacation and benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate employees for the benefits through paid time off or some other means. Sick leave benefits are accrued using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

The Authority records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The Authority records a liability for accumulated unused sick leave for all employees which meet established eligibility requirements. Upon termination, any unused sick leave will be

Eastern Ohio Regional Wastewater Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2014

paid to the employee or his/her estate at the rate of twenty dollars (\$20.00) per day up to a maximum of three hundred days.

Long-Term Obligations

The Authority records fund obligations not expected to be financed within one year by available financial resources as long-term debt, which consisted of revenue bonds.

Unamortized Bond Insurance Premiums, Bond Discounts, Bond Premiums, and Bond Issuance Costs

On the fund financial statements, bond insurance premiums, bond premiums and bond discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Bond issuance costs are expensed in the funds in the period the bonds are issued.

Deferred Charge on Refunding

On the fund financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the straight-line method, which approximates the effective interest method, and is presented as deferred outflows of resources on the statement of net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. Operating revenues consist of user charges for sewer services based on water consumption and flat rates for residential properties. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Authority. All revenues and expenses not meeting these definitions are reported as non-operating.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Net Position

Net Position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists 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 position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for debt service is for the amount required by the bond covenant to be retained for debt service payments. Net position restricted for capital improvements is net position required by the bond covenant to be used for construction of new capital improvements, and net position maintained by the Authority for capital improvements.

Eastern Ohio Regional Wastewater Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2014

The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Note 3 – Deposits and Investments

State statutes require the classification of monies held by the Authority 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 Authority 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 the Board of Directors has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 stabled by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested or deposited 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 obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debenture, 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 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

Eastern Ohio Regional Wastewater Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2014

6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 or short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. These securities must be obligation of or guaranteed by the United States and mature or be redeemable within 5 year of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Authority's name.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the carrying amount of the Authority's deposits was \$5,759,651 and the bank balance was \$5,803,215. Of the bank balance \$750,000 was covered by Federal depository insurance and the remaining balance of \$5,053,215 was covered by pledged collateral with securities held by the pledging financial institution's trust department or agent. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Authority to a successful claim by the Federal Deposit Insurance Corporation.

Eastern Ohio Regional Wastewater Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2014

The Authority has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Authority or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2014, the Authority had the following investment:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Percent of Total Investments</u>	<u>Rating</u>	<u>Rating Agency</u>
Money Market Mutual Fund	<u>\$1,221,893</u>	Avg 38 days	<u>100.00%</u>	AAAm	S&P

Interest Rate Risk State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Authority, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in repurchase agreements to 30 days and the market value of the securities must exceed the principal value of the agreement by 2 percent and be marked to market daily. The Authority had no investment policy that would further limit investment choices.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. The Authority has no investment policy dealing with investment custodial credit risk beyond the requirements in State statute that requires securities shall be delivered into the custody of the treasurer or governing board or an agent designated by the treasurer or governing board.

Concentration of Credit Risk The Authority places no limit on the amount it may invest in any one issuer.

Note 4 – Receivables

Receivables at year end consisted of accounts (which include billed and unbilled charged services). Accounts receivable as of December 31, 2014, are as follows:

	Amounts at
	<u>12/31/2014</u>
Current Portion of Receivable	\$332,677
Noncurrent Portion of Receivable (Net of Allowance for Doubtful Accounts)	<u>1,209,640</u>
Net Receivables	<u>\$1,542,317</u>

Eastern Ohio Regional Wastewater Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2014

Note 5 – Defined Benefit Pension Plan

Plan Description – Plan Description - The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2014, members in state and local classifications contributed 10 percent of covered payroll. For 2014, member and employer contribution rates were consistent across all three plans.

The Authority's 2014 contribution rate was 14 percent. The portion of the Authority's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the Authority's contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent. Employer contribution rates are actuarially determined.

The Authority's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013, and 2012 was \$94,850, \$108,349, and \$88,645, respectively. For 2014, 74.23 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. There were no contributions made to the Member Directed Plan for 2014.

Eastern Ohio Regional Wastewater Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2014

Note 6 – Postemployment Benefits

Plan Description – Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent for both plans as recommended by the OPERS actuary.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The Authority's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2014, 2013, and 2012 was \$15,808, \$8,335, and \$35,458, respectively. For 2014, 74.23 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Eastern Ohio Regional Wastewater Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2014

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

Note 7 – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters.

During 2014 the Authority obtained commercial insurance through Acord Insurance Company for property and general liability coverage, and the Cincinnati Insurance Company for automobile coverage for the following risks:

<u>Coverage</u>	<u>Limit</u>
Property	\$27,438,274
Automobile	1,000,000
General Liability	3,000,000

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Note 8 – Insurance Purchasing Pool

The Authority participates in the Ohio Rural Water Workers’ Compensation Group Rating Plan (GRP), a group rating plan and insurance purchasing pool. The Ohio Rural Water Association, as the sponsoring organization, has retained the services of Comp Management, as its Group Administrator to perform claims administration, actuarial cost control, and consulting services for participants. The participants continue to pay their own premiums. Each year the Authority pays an enrollment fee to the GRP to cover the costs of administering the program.

Note 9 – Employee Benefits

Insurance Benefits

The Authority contracts with the Health Assurance for hospitalization and prescription insurance for all employees. Monthly premiums for single and family coverage are determined by each individual being insured meeting certain rate criteria. The Authority pays 82 percent of the premium for single coverage, and 88 percent of the premiums for family coverage.

Life insurance, accidental death and dismemberment insurance are provided to employees. Dental care coverage is provided by Delta Dental and eye care coverage is provided by Vision Service Plan. All premiums are paid 100 percent by the Authority.

Eastern Ohio Regional Wastewater Authority
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended December 31, 2014 was as follows:

	Balance 12/31/2013	Additions	Deductions	Balance 12/31/2014
Capital Assets not being Depreciated:				
Land	\$122,932	\$0	\$0	\$122,932
Construction in Progress	0	59,200	0	59,200
Total Capital Assets not being Depreciated	<u>122,932</u>	<u>59,200</u>	<u>0</u>	<u>182,132</u>
Capital Assets being Depreciated:				
Sewer Lines	2,939,634	105,398	0	3,045,032
Pumping and Ejector Stations	4,993,716	165,021	0	5,158,737
Treatment Plant	15,186,524	179,950	29,472	15,337,002
Office Equipment	94,942	9,256	5,576	98,622
Total Capital Assets being Depreciated	<u>23,214,816</u>	<u>459,625</u>	<u>35,048</u>	<u>23,639,393</u>
Less Accumulated Depreciation:				
Sewer Lines	2,782,928	20,025	0	2,802,953
Pumping and Ejector Stations	3,036,295	99,291	0	3,135,586
Treatment Plant	7,744,317	341,782	20,277	8,065,822
Office Equipment	28,613	7,100	5,576	30,137
Total Accumulated Depreciation	<u>13,592,153</u>	<u>468,198</u>	<u>25,853</u>	<u>14,034,498</u>
Total Capital Assets being Depreciated, Net	<u>9,622,663</u>	<u>(8,573)</u>	<u>9,195</u>	<u>9,604,895</u>
Governmental Activities Capital Assets, Net	<u>\$9,745,595</u>	<u>\$50,627</u>	<u>\$9,195</u>	<u>\$9,787,027</u>

Note 11 – Long-Term Obligations

On October 1, 2013 the Eastern Ohio Regional Wastewater Authority issued \$3,810,000 in Water Resource Revenue Refunding and Additional Construction Bonds for the purpose of retiring the Series 2001 Water Resource Revenue Bonds and to fund future construction projects. The refunding bonds were issued with a “net” premium/discount of (\$8,987) which is reported as a decrease to bonds payable. This amount is being amortized to interest expense over the life of the bonds using the straight-line method which approximates the effective interest method. The bonds are payable solely from water customer net revenues and are payable through 2037. The bonds were issued for a 25 year period with final maturity at December 1, 2037, and are subject to mandatory sinking fund redemption. This is to occur on December 1, 2028 and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Eastern Ohio Regional Wastewater Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2014

The Series 2013 Bonds maturing on December 1, 2028 will be subject to mandatory sinking fund redemptions in part on December 1, 2026, and on each December 1 thereafter at the redemption price of 100 percent of the principal amount thereof plus accrued interest to the respective redemption dates in the principal amount and the years as follows:

<u>December 1</u>	<u>Principal Amount to be Redeemed</u>
2026	\$75,000
2027	80,000

Unless otherwise called for redemption, the remaining \$80,000 principal amount of such Bonds will be payable at stated maturity (December 1, 2028).

The Series 2013 Bonds maturing on December 1, 2033 will be subject to mandatory sinking fund redemptions in part on each December 1, 2029, and each December 1 thereafter at the redemption price of 100 percent of the principal amount thereof plus accrued interest to the respective redemption dates in the principal amount and the years as follows:

<u>December 1</u>	<u>Principal Amount to be Redeemed</u>
2029	\$85,000
2030	90,000
2031	95,000
2032	95,000

Unless otherwise called for redemption, the remaining \$100,000 principal amount of such Bonds will be payable at stated maturity (December 31, 2033).

The Series 2013 Bonds maturing on December 1, 2037 will be subject to mandatory sinking fund redemptions in part on each December 1, 2034, and each December 1 thereafter at the redemption price of 100 percent of the principal amount thereof plus accrued interest to the respective redemption dates in the principal amount and the years as follows:

<u>December 1</u>	<u>Principal Amount to be Redeemed</u>
2034	\$105,000
2035	110,000
2036	115,000

Unless otherwise called for redemption, the remaining \$125,000 principal amount of such Bonds will be payable at stated maturity (December 31, 2037).

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

Eastern Ohio Regional Wastewater Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2014

	Water Resource Revenue Bonds	
	Principal	Interest
2015	\$185,000	\$122,250
2016	190,000	118,550
2017	195,000	114,750
2018	195,000	110,850
2019	200,000	105,975
2020-2024	1,095,000	438,414
2025-2029	560,000	264,852
2030-2034	485,000	159,588
2035-2037	350,000	35,750
Total	\$3,455,000	\$1,470,979

The water resource revenue bonds will be paid from revenues derived from user charges. In addition, the water revenue bonds have certain restrictive covenants and principally require that bond reserve funds be maintained and charges for fees to customers be maintained in sufficient amounts, as defined, to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemptions of principal, and maintenance of properties in good condition.

The Authority has pledged future customer sewer revenues, net of specified operating expenses, to repay \$3,810,000 in revenue bonds issued in 2013. The bonds are payable solely from customer net revenues and are payable through 2037. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the bonds and loan are expected to require 23 percent of net revenues. The total principal and interest remaining to be paid on the bonds and loan is \$4,925,979. Principal and interest payments for the current year were \$302,330, net revenues were \$1,348,461 and total revenues were \$3,531,752.

The Authority's 2013 refunding bonds are insured by Assured Guaranty Municipal Corp. Assured Guaranty Municipal Corp. has a rating of A2 from Moody's Investors Service, Inc.

Long term debt activity for the year ended December 31, 2014 is as follows:

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014	Amounts Due in One Year
Water Resource Revenue Refunding and Additional Construction Bonds Series 2013 - 2.0% - 5.0%	\$3,635,000	\$0	\$180,000	\$3,455,000	\$185,000
"Net" Premium/Discount (\$8,987)	(8,628)	0	(359)	(8,269)	0
Total Revenue Bonds	3,626,372	0	179,641	3,446,731	185,000
Compensated Absences	97,464	16,599	40,981	73,082	34,792
Total Long Term Obligations	\$3,723,836	\$16,599	\$220,622	\$3,519,813	\$219,792

Eastern Ohio Regional Wastewater Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2014

Note 12 – Contingent Liabilities

Pending Litigation

The Authority is currently party to legal proceedings. The possible outcome or effects on the financial statements cannot be determined at year end.

Note 13 – Contractual Obligations

As of December 31, 2014, the Authority had contractual purchase commitments for construction services relating to repair and upgrade of treatment facilities. The contract amount for these services is as follows:

<u>Contractor</u>	<u>Purchase Commitments</u>	<u>Amount Paid as of 12/31/2014</u>	<u>Amount Remaining on Contract</u>
Vaughn, Coast, and Vaughn	\$105,000	\$59,200	\$45,800

Note 14 – Subsequent Events

Rate Increase

Effective January 1, 2015, the rate increased to \$26.00 per month for residential customers.



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

Eastern Ohio Regional Wastewater Authority
Belmont County
P.O. Box 508
Bridgeport, Ohio 43912

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 Eastern Ohio Regional Wastewater Authority, Belmont County, Ohio (the Authority), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 15, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and significant deficiencies.

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 Authority's financial statements. We consider finding 2014-001 described in the accompanying Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-002 through 2014-004 described in the accompanying Schedule of Findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Authority'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*.

Authority's Response to Findings

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

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 Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 15, 2016

**EASTERN OHIO REGIONAL WASTEWATER AUTHORITY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2014-001

Material Weakness - Capital Assets

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that the following assertion is achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it:

Presentation and disclosure: That financial statement elements are properly classified and described and appropriate disclosures are made as required by generally accepted accounting principles, or as prescribed by the auditor of state for entities that do not follow generally accepted accounting principles.

During the conversion of the financial statements in accordance with generally accepted accounting principles (GAAP), the capital assets and net position were understated by \$1,399,401 due to two assets that were put into place in 1997, but were never recorded by the Authority.

The adjustment, with which management agrees, was posted to the accounting records and is reflected in the accompanying financial statements.

The Authority should establish procedures to help ensure transactions are accurately reported on the GAAP financial statements.

Officials' Response:

These assets were discovered during the Authority's Capacity, Management, Operations, and Maintenance (CMOM) project and have been incorrectly stated on Eastern Ohio Regional Wastewater Authority's since 1997. They were included on the current asset statement for the 2013/2014 audit as the rebuild was discovered during the CMOM project. The error has been corrected and with the help of Rural Community Assistance Program (RCAP) the Authority's inventory has been analyzed and is in the process of being converted into the Check-Up Program for Small Systems (CUPSS).

Finding Number 2014-002

Significant Deficiency - Reconciliation Supporting Documentation

The Authority's monthly bank reconciliations each month should clearly document any and all reconciling items. Clear documentation of reconciling items can facilitate easier reconciliation of the Authority's general ledger to the corresponding bank account information. Supporting documentation should be maintained on file to support reconciling items.

The Authority's bank reconciliations at December 31, 2014 included numerous reconciling items such as outstanding checks, items not posted, and mis-postings in the Authority's ledgers. The descriptions for these items were often vague.

**EASTERN OHIO REGIONAL WASTEWATER AUTHORITY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2014-002 (Continued)

Significant Deficiency - Reconciliation Supporting Documentation (Continued)

In addition, the Authority often did not retain supporting documentation on file to readily support the validity of the reconciling items. As a result, difficulty was encountered in substantiating the reconciling items on the December 31, 2014 bank reconciliations. At times, the Authority's management had to search through the Authority's records to provide adequate evidence to support the reconciling items listed on the reconciliations.

The Authority should clearly label each reconciling item on the monthly bank reconciliations. In addition, supporting documentation for the reconciling items should be retained on file in case future follow-up is required on the reconciling items.

Officials' Response:

As the learning curve continues into the nuances of SSI Software the bank reconciliation process has gotten easier. As noted in the Charge for Service notes, the change in process to cash, type of payment, and daily posting has clearly helped in the bank reconciliation process. For 2015 a more detailed file with supporting documentation will be implemented to more rapidly identify and reconcile items in addition to the detailed spreadsheets on a monthly basis.

In addition, the actual journal entries (GJ, RJ, & EJ) will be grouped by type but also divided into subcategories in order to more easily identify at a later date.

Finding Number 2014-003

Significant Deficiency - Charges for Services Difficulties

The Authority's process for collection of sewer user charges should be established in a manner that allows for the receipts to be readily traced from the accounts receivable system to the Authority's general ledger.

In the early months of 2014, the Authority utilized a spreadsheet to track daily receipts by municipality. This spreadsheet was reconciled each day to the total daily receipts regardless of payment source, such as office receipts-checks, office receipts-cash, bank receipts, and credit/debit card payments; although daily posting journals were printed based on payment source. Payment stubs were also often batched by municipality rather than payment source. The general journal entries for sewer user charges postings to the general ledger were maintained on file mingled with other unrelated journal entries and were posted on a monthly basis. As a result, although the Authority began correcting this process in 2014, difficulty was encountered in tracing individual payments to bank deposits and ultimately to posting in the Authority's general ledger.

The Authority should maintain their spreadsheet documenting the daily receipts by payment type since certain receipts are posted to the accounts receivable system based on the actual date paid, but are documented on the spreadsheet based on the day the payment was processed. This would better document how the receipts noted on the spreadsheet agree to the daily posting journals since they are printed based on payment type. Payment stubs should be batched based on payment type to follow the same process as the spreadsheet and daily posting journals. In addition, the general journal entries for sewer user charges should be maintained separately from other general journal entries.

**EASTERN OHIO REGIONAL WASTEWATER AUTHORITY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

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

Finding Number 2014-003 (Continued)

Significant Deficiency - Charges for Services Difficulties (Continued)

Officials' Response:

The biggest transformation in the Charges for Services is the Authority changed from accrued to cash basis accounting in 2014 and the daily charges went from booked monthly to booked daily. The Business Office changed the spreadsheet in 2014 to match the payment type. This process has greatly helped to reconcile the Sewer Revenue Account monthly bank statement.

Finding Number 2014-004

Significant Deficiency - Posting of Budgetary Amounts to the Accounting System

The Authority should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

At December 31, 2014, variances existed between the legislatively approved budgetary receipts, as noted in the minute record, and the amounts posted to the accounting system. The following table details this variance:

<u>Fund</u>	<u>Amount Per Original Approved Budget and Approved Amendments</u>	<u>Amounts Posted to the Accounting System</u>	<u>Variance</u>
Enterprise	\$3,976,770	\$3,293,500	(\$683,270)

At December 31, 2014, variances existed between the legislatively approved appropriation resolution/amendments, as noted in the minute record, and the amounts posted to the accounting system. The following table details this variance:

<u>Fund</u>	<u>Amount Per Annual Appropriation Resolution and Approved Amendments</u>	<u>Amounts Posted to the Accounting System</u>	<u>Variance</u>
Enterprise	\$3,767,440	\$4,421,467	\$654,027

As a result, decisions could be made on inaccurate budget versus actual information.

The Executive Director should ensure that the original budgeted receipts and appropriation amounts approved by the Board plus any approved amendments, agree to the amounts posted to the accounting system.

Officials' Response:

All budgetary figures will be verified to ensure the figures entered into the budgetary accounting system agrees to the typed Board Meeting Minute Journal. A budget revision will be brought before the Board before the end of 2015 to address all the aforementioned issues.

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EASTERN OHIO REGIONAL WASTEWATER AUTHORITY

BELMONT 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
MARCH 29, 2016**