

**NORTHWEST REGIONAL WATER DISTRICT**

**SCIOTO COUNTY**

**REGULAR AUDIT**

January 1, 2009 through December 31, 2010

Years Audited Under GAGAS: 2010 and 2009



**Caudill & Associates, CPA**

725 5<sup>th</sup> Street Portsmouth, OH 45662

P: 740.353.5171 | F: 740.353.3749

[www.caudillepa.com](http://www.caudillepa.com)





# Dave Yost • Auditor of State

Board of Trustees  
Northwest Regional Water District  
P.O. Box 158  
McDermott, Ohio 45652

We have reviewed the *Independent Auditor's Report* of the Northwest Regional Water District, Scioto County, prepared by Caudill & Associates, CPAs, for the audit period January 1, 2009 through December 31, 2010. 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 Northwest Regional Water 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

July 27, 2011

**This Page is Intentionally Left Blank.**

**Northwest Regional Water District  
Scioto County  
TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
Independent Auditor's Report .....	1
Management Discussion and Analysis .....	3
Financial Statements:	
Statement of Net Assets .....	8
Statement of Revenues, Expenses and Changes in Net Assets.....	9
Statement of Cash Flows .....	10
Notes to the Basic Financial Statements .....	12
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards .....	26
Schedule of Findings and Responses .....	28
Schedule of Prior Audit Findings .....	29



## Caudill & Associates, CPA

725 5<sup>th</sup> Street Portsmouth, OH 45662  
P: 740.353.5171 | F: 740.353.3749  
www.caudillcpa.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT

Northwest Regional Water District  
Scioto County  
PO Box 158  
McDermott, OH 45652-0158

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities of the Northwest Regional Water District (the "District"), Scioto County, as of December 31, 2010 and 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.

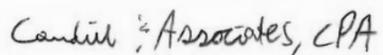
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of December 31, 2010 and 2009, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated June 28, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

Northwest Regional Water District  
Scioto County  
Independent Auditor's Report

The management's discussion and analysis on pages 3 through 7 is not required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Caudill & Associates, CPA". The signature is written in a cursive style and is centered within a light gray rectangular box.

Caudill & Associates, CPA

June 28, 2011

# NORTHWEST REGIONAL WATER DISTRICT

## SCIOTO COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

---

This discussion and analysis, along with the accompanying financial reports, of Northwest Regional Water District ("The District") is designed to provide our customers, creditors and other interested parties with a general overview of the District and its financial activities.

#### FINANCIAL HIGHLIGHTS

The total assets of the District exceeded total liabilities on December 31, 2010 by \$8.18 million and on December 31, 2009 by \$8.12 million. The District's net assets increased by \$62 thousand (less than 1%) in 2010 and by \$92 thousand (1.1%) in 2009.

The District's Operating Revenues increased in 2010 by \$21 thousand (less than 1%) and in 2009 they increased by \$192 thousand (9.0%). Operating and Maintenance Expenses (excluding depreciation expense) increased \$16 thousand (0.7%) in 2010 and in 2009 (excluding depreciation expense) increased \$200 thousand (12.1%). Depreciation expense increased \$9 thousand (2.8%) in 2010 and increased in 2009 by \$11 thousand (3.2%).

#### OVERVIEW OF BASIC FINANCIAL STATEMENTS

The District is a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the accrual basis of accounting.

The **Statements of Net Assets** include all of the District's Assets and Liabilities. These statements provide information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. The District's net assets are the difference between assets and liabilities.

The **Statements of Revenues, Expenses and Changes in Net Assets** provide information on the District's operations over the past year and the success of recovering all its costs through user fees, charges, assessments, and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statements of Cash Flows** provide information about the District's cash receipts and cash disbursements. They summarize the net changes in cash resulting from operating, investing and financing activities.

# NORTHWEST REGIONAL WATER DISTRICT

## SCIOTO COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

#### STATEMENTS OF NET ASSETS

Table 1 summarizes the Statements of Net Assets of the District. Capital Assets are reported less accumulated depreciation. "Invested in Capital Assets, Net of Related Debt", are Capital Assets less accumulated depreciation and outstanding debt that was used to acquire those assets.

**Table 1**

	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>2008</u>	<u>Change</u>
Current and Other Assets	\$ 1,630,759	\$ 1,547,641	\$ 83,118	\$ 1,770,900	\$ (223,259)
Capital Assets, Net	9,001,569	9,228,145	(226,576)	8,322,591	905,554
<b>Total Assets</b>	<u>10,632,328</u>	<u>10,775,786</u>	<u>(143,458)</u>	<u>10,093,491</u>	<u>682,295</u>
Long Term Liabilities	2,105,525	2,283,838	(178,313)	1,735,475	548,363
Other Liabilities	338,051	366,170	(28,119)	324,453	41,717
<b>Total Liabilities</b>	<u>2,443,576</u>	<u>2,650,008</u>	<u>(206,432)</u>	<u>2,059,928</u>	<u>590,080</u>
Net Assets					
Invested in Capital Assets,					
Net of Related Debt	6,717,731	6,767,447	(49,716)	6,440,769	326,678
Unrestricted	1,471,021	1,358,331	112,690	1,592,794	(234,463)
<b>Total Net Assets</b>	<u>\$ 8,188,752</u>	<u>\$ 8,125,778</u>	<u>\$ 62,974</u>	<u>\$ 8,033,563</u>	<u>\$ 92,215</u>

The District's Net Assets increased by \$62 thousand (less than 1%) in 2010 and \$92 thousand (1.1%) in 2009. This increase is a result of excess revenues over expenses.

Unrestricted net assets increased by \$112 thousand in 2010 and decreased \$234 thousand in 2009. Unrestricted assets may be used without constraints established by bond covenants or other legal requirements. Cash and Cash equivalents increased \$68 thousand in 2010 and decreased by \$232 thousand in 2009 which is primarily due to increases in operating revenue in 2010, and increased salaries, wages and benefits and utilities expenses in 2009.

# NORTHWEST REGIONAL WATER DISTRICT

## SCIOTO COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

#### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Table 2 below summarizes the changes in Revenues, Expenses and Net Assets.

Table 2	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>2008</u>	<u>Change</u>
Operating Revenues	\$2,333,086	\$2,312,193	\$20,893	\$2,120,323	\$191,870
<b>Total Operating Revenues</b>	<u>2,333,086</u>	<u>2,312,193</u>	<u>20,893</u>	<u>2,120,323</u>	<u>191,870</u>
Operating Expenses					
(Excluding Depreciation)	1,859,230	1,843,113	16,117	1,642,769	200,344
Depreciation Expense	343,898	334,438	9,460	323,823	10,615
<b>Total Operating Expenses</b>	<u>2,203,128</u>	<u>2,177,551</u>	<u>25,577</u>	<u>1,966,592</u>	<u>210,959</u>
Operating Income	129,958	134,642	(4,684)	153,731	(19,089)
Non-Operating Revenues	20,033	45,631	(25,598)	323,910	(278,279)
Non-Operating Expenses	<u>87,017</u>	<u>88,061</u>	<u>(1,044)</u>	<u>86,227</u>	<u>1,834</u>
<b>Changes in Net Assets</b>	62,974	92,212	-29,238	391,414	(299,202)
<b>Net Assets at Beginning of Year</b>	<u>8,125,778</u>	<u>8,033,566</u>	<u>92,212</u>	<u>7,642,152</u>	<u>391,414</u>
<b>Net Assets end of Year</b>	<u><u>\$8,188,752</u></u>	<u><u>\$8,125,778</u></u>	<u><u>\$62,974</u></u>	<u><u>\$8,033,566</u></u>	<u><u>92,212</u></u>

Operating revenues increased \$21 thousand in 2010 due to slight increase in service charges and late fees and increased by \$192 thousand in 2009 due to increase in water rates after three years with no change.

Operating expenses increased about \$26 thousand in 2010 primarily due to an increase in salaries and benefits and utilities in 2010.

Non-Operating revenues decreased by \$26 thousand in 2010 as the result of drops in interest rates on cash investments. Non-Operating expenses increased by 1 thousand in 2010 because of the decrease in long term debt and drops in interest rates on long term debt.

# NORTHWEST REGIONAL WATER DISTRICT

## SCIOTO COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

#### CAPITAL ASSETS

The District had \$14.8 million invested in Capital Assets (before depreciation) at the end of 2010 and \$14.6 million at the end of 2009, an increase of \$200 thousand (1.3%) in 2010 and an increase of \$2.2 million (17.7%) in 2009. This increase is due to an ongoing construction project which is being funded through a loan from the Ohio Water Development Authority and through District reserves.

<b>Table 3</b>	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>2008</u>	<u>Change</u>
Non-Depreciable Capital Assets					
Land	\$120,754	\$119,254	\$1,500	\$119,254	\$0
Constructions in progress	<u>340,926</u>	<u>1,412,901</u>	<u>(1,071,975)</u>	<u>245,767</u>	<u>1,167,134</u>
Total Non-Depreciable	461,680	1,532,155	(1,070,475)	365,021	1,167,134
Capital Assets					
Depreciable Capital Assets					
Utility plant - lines	11,224,174	10,428,047	796,127	10,428,047	0
Utility plant - towers	1,326,919	991,049	335,870	991,049	0
Utility plant - meters	320,902	313,474	7,428	307,891	5,583
Utility plant - office and garage	256,613	255,289	1,324	244,339	10,950
Office equipment and furniture	104,049	95,962	8,087	65,222	30,740
Radio telemetry system	295,790	295,308	482	288,045	7,263
Trucks and equipment	<u>809,000</u>	<u>770,519</u>	<u>38,481</u>	<u>752,198</u>	<u>18,321</u>
Totals Before Accumulated Depreciation	14,337,447	13,149,648	1,187,799	13,076,791	72,857
Accumulated Depreciation	<u>(5,797,558)</u>	<u>(5,453,658)</u>	<u>(343,900)</u>	<u>(5,119,221)</u>	<u>(334,437)</u>
Net Depreciable Capital Assets	<u>8,539,889</u>	<u>7,695,990</u>	<u>843,899</u>	<u>7,957,570</u>	<u>(261,580)</u>
<b>Total Capital Assets</b>	<u><u>\$9,001,569</u></u>	<u><u>\$9,228,145</u></u>	<u><u>(\$226,576)</u></u>	<u><u>\$8,322,591</u></u>	<u><u>905,554</u></u>

For additional information regarding capital assets please see Note C to the Basic Financial Statements.

# NORTHWEST REGIONAL WATER DISTRICT

## SCIOTO COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

---

#### DEBT

The District issues long term debt to finance much of its construction. At December 31, 2010 total debt outstanding of \$2,283,838 compared to \$2,460,698 at December 31, 2009. Ohio Water Development Authority debt was issued in January of 2009 for water line extensions.

<b>Table 4</b>	<b>2010</b>	<b>2009</b>	<b>Change</b>	<b>2008</b>	<b>Change</b>
Ohio Public Works					
Commission (OPWC)	\$308,007	\$353,449	(\$45,442)	\$369,086	(\$15,637)
Ohio Water Development					
Authority (OWDA)	1,975,831	2,107,249	(131,418)	1,512,365	594,884
<b>Total Long Term Debt</b>	<b>2,283,838</b>	<b>2,460,698</b>	<b>(176,860)</b>	<b>1,881,451</b>	<b>574,247</b>
Less: Current Maturities	178,313	176,860	1,453	145,977	30,883
<b>Net Total Long Term Debt</b>	<b>\$2,105,525</b>	<b>\$2,283,838</b>	<b>(\$178,313)</b>	<b>\$1,735,474</b>	<b>543,364</b>

The District's debt is paid from operating revenues generated by the District. For additional information regarding debt please see Note E to the Basic Financial Statements.

#### CASH

Cash and cash equivalents were \$1,192,292 on December 31, 2010 and \$1,123,773 on December 31, 2009.

#### CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to Lois Syle, Office Manager, Northwest Regional Water District, P.O. Box 158, McDermott, Ohio 45652 or (740) 259-2789.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

STATEMENT OF NET ASSETS

AS OF DECEMBER 31, 2010 AND 2009

<b>ASSETS</b>	<b>2010</b>	<b>2009</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,192,292	\$ 1,123,773
Accounts receivable, net allowance for doubtful accounts	407,120	388,833
Prepaid expenses	31,347	35,035
<b>TOTAL CURRENT ASSETS</b>	<b>1,630,759</b>	<b>1,547,641</b>
<b>NONCURRENT ASSETS</b>		
Capital Assets:		
Non-depreciable capital assets	461,680	1,532,155
Depreciable capital assets, net	8,539,889	7,695,990
<b>TOTAL NONCURRENT ASSETS</b>	<b>9,001,569</b>	<b>9,228,145</b>
<b>TOTAL ASSETS</b>	<b>\$ 10,632,328</b>	<b>\$ 10,775,786</b>
	<b>2010</b>	<b>2009</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Notes payable - current portion	\$ 178,313	\$ 176,860
Accounts Payable	51,153	64,418
Accrued Expenses	108,585	124,892
<b>TOTAL CURRENT LIABILITIES</b>	<b>338,051</b>	<b>366,170</b>
<b>LONG-TERM LIABILITIES</b>		
Notes payable - less current portion	2,105,525	2,283,838
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>2,105,525</b>	<b>2,283,838</b>
<b>TOTAL LIABILITIES</b>	<b>2,443,576</b>	<b>2,650,008</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	6,717,731	6,767,447
Unrestricted	1,471,021	1,358,331
<b>TOTAL NET ASSETS</b>	<b>\$ 8,188,752</b>	<b>\$ 8,125,778</b>

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

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2010 and 2009

	<b>2010</b>	<b>2009</b>
<b>OPERATING REVENUES</b>		
Water	\$ 2,213,244	\$ 2,192,731
Tap fees	27,750	31,625
Service charges	15,490	15,190
Late charges	68,717	64,977
Contract work	7,885	7,670
TOTAL OPERATING REVENUES	2,333,086	2,312,193
<b>OPERATING EXPENSE</b>		
Salaries, wages and benefits	696,520	656,416
Utilities	164,466	146,363
Depreciation expense	343,898	334,438
Purchased water	630,438	644,872
Telemetry	11,432	10,606
Maintenance	99,657	97,994
Truck and equipment expense	49,815	44,428
Billing expense	22,974	25,262
Pension expense	113,812	109,619
Payroll taxes	7,478	8,010
Insurance	15,778	67,493
Office supplies and postage	15,369	12,886
Legal and accounting fees	4,653	6,938
Travel and auto expense	1,890	1,894
Other expenses	24,948	10,332
TOTAL OPERATING EXPENSES	2,203,128	2,177,551
Operating Income	129,958	134,642
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Gain/ (Loss) on Investments	20,033	45,631
Interest expense	(87,017)	(88,061)
Net other income (expense)	(66,984)	(42,430)
CHANGES IN NET ASSETS	62,974	92,212
NET ASSETS, BEGINNING OF YEAR	8,125,778	8,033,566
NET ASSETS, END OF YEAR	\$ 8,188,752	\$ 8,125,778

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

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY  
STATEMENT OF CASH FLOWS**

For the Years Ended December 31, 2010 and 2009

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 2,314,799	\$ 2,285,259
Cash payments to suppliers for goods and services	(1,035,219)	(974,271)
Cash payments for employee services and benefits	(849,895)	(839,371)
Net cash provided by operating activities	429,685	471,617
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payments - OPWC loans	(45,442)	(15,637)
Principal payments - OWDA loans	(131,418)	(137,314)
Proceeds from notes payable - OWDA	0	732,198
Interest payments - OWDA loans	(86,752)	(75,050)
Acquisition of Capital Assets	(117,587)	(1,253,371)
Net cash used for capital and related financing activities	(381,199)	(749,174)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on cash and investments	20,033	45,631
Net increase/(decrease) in cash and cash equivalents	68,519	(231,926)
 Cash and cash equivalents, beginning of year	 1,123,773	 1,355,699
 Cash and cash equivalents, end of year	 \$ 1,192,292	 \$ 1,123,773

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

**NORTHWEST REGIONAL WATER DISTRICT**  
**SCIOTO COUNTY**  
STATEMENT OF CASH FLOWS - Continued

For the Years Ended December 31, 2010 and 2009

	<b>2010</b>	<b>2009</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 129,958	134,642
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation	343,898	334,438
<b>Changes in assets and liabilities:</b>		
(Increase)/Decrease in accounts receivable	(18,287)	(26,934)
(Increase)/Decrease in prepaids	3,688	18,267
Increase/(Decrease) in accounts payable	(13,265)	9,037
Increase/(Decrease) in accrued expenses	(16,307)	2,167
Total adjustments	299,727	336,975
 Net cash provided by operating activities	\$ 429,685	\$ 471,617

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

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2010 and 2009

---

**NOTE A - NATURE OF ORGANIZATION**

Northwest Regional Water District (hereafter referred to as NRWD) was created by the Court of Common Pleas of Scioto County in August of 1966 in accordance with the provisions of Section 6119 et.seq of the Ohio Revised Code. The District operates under the direction of a twelve member board of trustees. An appointed staff consisting of an office manager and two clerks are responsible for fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the water district users, for industrial and business use, and for fire protection. The District serves all parts of the following political subdivisions:

Rush Township	Washington Township
Union Township	Franklin Township
Morgan Township	Jefferson Township
Rarden Village	Brushcreek Township
Otway Village	Camp Creek Township

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District 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. Pursuant to GASB Statement No. 20: *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the District follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board (FASB) Interpretations, Accounting Principles Board Opinions (APBO), and Accounting Research Bulletins issued on or after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

**1. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity," and as amended by GASB Statement No. 39. The financial statements include the fund for which the District is "accountable." Accountability as described in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the District and whether exclusion would cause the District's financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the District.

Based on the foregoing criteria, there were no PCU's for the years reported on in the financial statements in accordance with GASB Statement No. 14 or 39.

**2. Basis of Presentation - Fund Accounting**

The accounts of NRWD are organized on the basis of funds, each of which is considered a separate accounting entity. The District has created a single fund within that fund type. The fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. This fund accounts for the governmental resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

**NORTHWEST REGIONAL WATER DISTRICT**  
**SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2010 and 2009

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The fund type which NRWD uses is described below:

**Proprietary Fund Type** - This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the NRWD is the Enterprise Fund.

**Enterprise Fund** - This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**3. Basis of Accounting**

The accounting records are maintained on the accrual basis of accounting for financial reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Unbilled service charges receivable are recognized as revenue at year end. Expenses are recognized at the time they are incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the statement of net assets. This measurement focus emphasizes the determination of net income.

Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

**4. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually. The District adopted a budget and adopted and passed annual appropriation resolutions for the years ended December 31, 2010 and 2009.

**Appropriations** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

**Estimated Resources** - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of the beginning of the year.

**Encumbrances** - The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2010 and 2009

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**5. Cash and Cash Equivalents**

Cash balances of the District’s enterprise fund are presented as “Cash and Cash Equivalents” on the statement of net assets. Interest income earned by the District totaled \$20,033 and \$45,631, respectively, for the years ended December 31, 2010 and 2009.

During fiscal year 2010 and 2009, investments were limited to STAR Ohio, savings accounts and certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements, savings accounts and non-negotiable certificates of deposit are recorded at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal years 2010 and 2009. STAR Ohio is an investment pool managed by the State Treasurer’s office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price which is the price the investment could be sold for on December 31, 2010 and 2009.

For purposes of the statement of cash flows and for presentation on the statement of net assets, investments with an initial maturity of more than three months are reported as investments.

**6. Capital Assets**

Capital assets acquired or constructed for the general use of the District in providing service are recorded at cost. The District has a capitalization threshold of \$1,000. Donated assets are recorded at their estimated fair market value at the time received. Depreciation of capital assets of the District is calculated utilizing the straight-line method. All assets reported in the basic financial statements are at cost less accumulated depreciation. The estimated useful lives by major capital asset class are as follows:

Lines	50 years	Office/garage building	19 years
Tanks/towers/meters	50 years	Trucks and equipment	5-10 years
Radio telemetry system	25 years	Office equipment and furniture	5-10 years

**7. Compensated Absences**

Compensated absences of the District consist of vacation and sick time to the extent that payment to the employees for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and its employees.

In accordance with provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

Unused sick pay is recorded as a liability based on the Ohio Revised Code Section 124.38. Employees are entitled to 4.6 hours of sick leave for each completed 80 hours up to a maximum of 960 hours and are entitled to a lump sum payment of 1/3 of accumulated sick pay upon retirement or termination if they have more than ten years of service. At December 31, 2010 and 2009, the total vested liability for accumulated unpaid vacation, sick leave and compensatory time recorded was \$104,517 and \$119,555, respectively.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

NOTES TO THE FINANCIAL STATEMENTS - Continued

December 31, 2010 and 2009

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**8. Interest Expense**

Interest expense represents the interest portion on loan payments the Ohio Water Development Authority (OWDA).

**9. Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond December 31, 2010 and 2009, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are provided.

**10. Accounts Receivable**

Accounts receivable are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible. Increases to the allowance are recorded by a provision for bad debt expense. The allowance 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 situations, 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 allowance for specific problem accounts, with the whole allowance 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. Receivables are presented at net on the statement of net assets.

**11. Estimates**

The preparation of the financial statements in accordance 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.

**12. 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 improvements 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 does not have any restricted net assets.

**13. Long Term Obligations**

The District records fund obligations not expected to be paid within one year by available financial resources as long-term debt, which consists of OPWC notes and OWDA loans.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2010 and 2009

**NOTE C – CAPITAL ASSETS**

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

	Ending Balance 12/31/08	Additions	Deletions	Ending Balance 12/31/09
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$119,254	\$0	\$0	\$119,254
Construction in progress	245,767	1,180,514	(13,380)	1,412,901
<b>Total Capital Assets, Not Being Depreciated</b>	<b>365,021</b>	<b>1,180,514</b>	<b>(13,380)</b>	<b>1,532,155</b>
<b>Capital Assets Being Depreciated</b>				
Utility plant - lines	10,428,047	0	0	10,428,047
Utility plant - towers	991,049	0	0	991,049
Utility plant - meters	307,891	5,583	0	313,474
Utility plant - office and garage	244,339	10,950	0	255,289
Office equipment and furniture	65,222	30,740	0	95,962
Radio telemetry system	288,045	7,263	0	295,308
Trucks and equipment	752,198	18,321	0	770,519
<b>Total Capital Assets, Being Depreciated</b>	<b>13,076,791</b>	<b>72,857</b>	<b>0</b>	<b>13,149,648</b>
<b>Less Accumulated Depreciation:</b>				
Utility plant - lines	(3,718,650)	(208,415)	0	(3,927,065)
Utility plant - towers	(335,738)	(26,538)	0	(362,276)
Utility plant - meters	(177,816)	(9,104)	0	(186,920)
Utility plant - office and garage	(97,177)	(9,764)	0	(106,941)
Office equipment and furniture	(43,946)	(7,924)	0	(51,870)
Radio telemetry system	(263,310)	(8,009)	0	(271,319)
Trucks and equipment	(482,584)	(64,683)	0	(547,267)
<b>Total Accumulated Depreciation</b>	<b>(5,119,221)</b>	<b>(334,437)</b>	<b>0</b>	<b>(5,453,658)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>7,957,570</b>	<b>(261,580)</b>	<b>0</b>	<b>7,695,990</b>
<b>Total Capital Assets, Net</b>	<b>\$8,322,591</b>	<b>\$918,934</b>	<b>(\$13,380)</b>	<b>\$9,228,145</b>

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2010 and 2009

**NOTE C – CAPITAL ASSETS (CONT'D)**

Capital assets activity for the year ended December 31, 2010 was as follows:

	Ending Balance 12/31/09	Additions	Deletions	Ending Balance 12/31/10
Capital Assets, Not Being Depreciated				
Land	\$119,254	\$1,500	\$0	\$120,754
Construction in progress	1,412,901	369,254	(1,441,229)	340,926
<b>Total Capital Assets, Not Being Depreciated</b>	<b>1,532,155</b>	<b>370,754</b>	<b>(1,441,229)</b>	<b>461,680</b>
Capital Assets Being Depreciated				
Utility plant - lines	10,428,047	796,390	(263)	11,224,174
Utility plant - towers	991,049	335,870	0	1,326,919
Utility plant - meters	313,474	7,428	0	320,902
Utility plant - office and garage	255,289	1,324	0	256,613
Office equipment and furniture	95,962	8,087	0	104,049
Radio telemetry system	295,308	482	0	295,790
Trucks and equipment	770,519	38,481	0	809,000
<b>Total Capital Assets, Being Depreciated</b>	<b>13,149,648</b>	<b>1,188,062</b>	<b>(263)</b>	<b>14,337,447</b>
Less Accumulated Depreciation:				
Utility plant - lines	(3,927,065)	(224,110)	263	(4,150,912)
Utility plant - towers	(362,276)	(19,821)	0	(382,097)
Utility plant - meters	(186,920)	(9,228)	0	(196,148)
Utility plant - office and garage	(106,941)	(10,159)	0	(117,100)
Office equipment and furniture	(51,870)	(9,079)	0	(60,949)
Radio telemetry system	(271,319)	(8,058)	0	(279,377)
Trucks and equipment	(547,267)	(63,708)	0	(610,975)
<b>Total Accumulated Depreciation</b>	<b>(5,453,658)</b>	<b>(344,163)</b>	<b>263</b>	<b>(5,797,558)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>7,695,990</b>	<b>843,899</b>	<b>0</b>	<b>8,539,889</b>
<b>Total Capital Assets, Net</b>	<b>\$9,228,145</b>	<b>\$1,214,653</b>	<b>(\$1,441,229)</b>	<b>\$9,001,569</b>

**NOTE D – ACCOUNTS RECEIVABLE**

Accounts receivables are presented at net realizable value and consist of amounts due from customers for sewer fees for services rendered and contract amounts billed. Uncollectible accounts receivable are charged to operations during the period they are determined to be uncollectible. Uncollectible water account balances are certified to the County Auditor after administrative collection efforts have been exhausted. The balance at year end, including billed and unbilled accounts, are due as follows:

	<u>2010</u>	<u>2009</u>
Accounts receivable, net allowance for doubtful accounts	\$ 407,120	\$ 388,833

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2010 and 2009

**NOTE E – DEBT**

The District has the following notes payable at December 31, 2010 and 2009:

	2010	2009
0% note payable OPWC, payable in semi-annual installments of \$2,569, due in 2014, secured by property and equipment	\$17,980	\$25,689
0% note payable OPWC, payable in semi-annual installments of \$10,707, due in 2022, secured by property and equipment	235,545	267,663
7.56% note payable OWDA, payable in semi-annual installments of \$14,139, including interest at 7.56%, due in 2017, secured by property and equipment	205,087	231,378
2% note payable OWDA, payable in semi-annual installments of \$37,050 due in 2018, secured by property and equipment	550,769	623,415
6.39% note payable OWDA, payable in semi-annual installments of \$7,516 due in 2026, secured by property and equipment	369,911	384,252
2.86% note payable OWDA, payable in semi-annual installments of \$3,532 due in 2028, secured by property and equipment	154,431	155,938
4.14% note payable OWDA, payable in semi-annual installments of \$12,568 due in 2029, secured by property and equipment	695,633	712,266
0% note payable OPWC, payable in semi-annual installments of \$922 due in 2023, secured by property and equipment	23,044	25,809
0% note payable OPWC, payable in semi-annual installments of \$705 due in 2025, secured by property and equipment	21,137	23,251
0% note payable OPWC, payable in semi-annual installments of \$368 due in 2025, secured by property and equipment	10,301	11,037
	2,283,838	2,460,698
Less current maturities	(178,313)	(176,860)
Total long-term debt	\$2,105,525	\$ 2,283,838

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2010 and 2009

**NOTE E – DEBT - Continued**

The annual requirements to amortize all bonded debt outstanding as of December 31, 2010 are as follows:

	Principal		Interest		Total
2011	\$ 178,313	\$	84,713	\$	263,026
2012	184,111		78,914		263,025
2013	190,215		72,809		263,024
2014	196,644		66,383		263,027
2015	198,276		59,611		257,887
2016-2020	648,150		205,517		853,667
2021-2025	449,585		107,305		556,890
2026-2030	238,544		20,262		258,806
Total	\$ 2,283,838	\$	695,514	\$	2,979,352

Long-term debt additions and reductions for the years ended December 31, 2010 and 2009 are as follows:

	Balance 12/31/2008	Additions	Reductions	Balance 12/31/2009	Due within One Year
O.W.D.A	\$ 1,512,365	\$ 732,198	\$ 137,314	\$ 2,107,249	\$ 131,418
					45,442
O.P.W.C.	369,086	-	15,637	353,449	
	\$ 1,881,451	\$ 732,198	\$ 152,951	\$ 2,460,698	\$ 176,860

	Balance 12/31/2009	Additions	Reductions	Balance 12/31/2010	Due within One Year
O.W.D.A	\$ 2,107,249		\$ 131,418	\$ 1,975,831	\$ 147,773
O.P.W.C.	353,449		45,442	308,007	\$ 30,540
	\$ 2,460,698	\$ -	\$ 176,860	\$ 2,283,838	\$ 178,313

**NOTE F – DEPOSITS AND INVESTMENTS**

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.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2010 and 2009

---

**NOTE F – DEPOSITS AND INVESTMENTS - Continued**

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

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.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. 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. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) and (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;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio;
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's average portfolio.

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. An investment must mature within five years from the date of purchase unless matched to a specific

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2010 and 2009

**NOTE F – DEPOSITS AND INVESTMENTS - Continued**

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.

**Cash on Hand** At year end, the District has \$450 in undeposited cash on hand which is included on the statement of net assets of the District as part of “cash and cash equivalents”.

**Deposits** Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District’s policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. December 31, 2010 and 2009, the carrying amount of the District’s deposits was \$1,103,088 and \$1,034,473, respectively. The bank balance of the District’s deposits at December 31, 2010 and 2009 was \$1,133,174 and \$1,036,150 respectively. Of the bank balances at December 31, 2010 and 2009, \$709,629 and \$703,771 were covered by federal depository insurance, respectively. The remaining bank balances were covered by federal depository insurance or collateral held by the pledging bank’s trust department but not in the District’s name pursuant to Section 135.181 of the Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

Investments are reported at fair value. As of December 31, 2010, the District had the following investments:

	<b>Fair Value</b>	<b>Maturity</b>
<b>STAR Ohio</b>	\$88,754	30 Days
<b>Total</b>	\$88,754	

As of December 31, 2009, the District had the following investments:

	<b>Fair Value</b>	<b>Maturity</b>
<b>STAR Ohio</b>	\$88,850	30 Days
<b>Total</b>	\$88,850	

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2010 and 2009

**NOTE F – DEPOSITS AND INVESTMENTS - Continued**

Interest Rate Risk: Interest Rate Risk is the risk that changes in the interest rate will adversely affect the fair value on an investment. The District does not have an investment policy.

Credit Risk STAR Ohio carries a rating of AAA by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District’s repurchase agreements are unrated.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The following is the District’s allocation as of December 31, 2010 and 2009:

<b>Year</b>	<b>Investment Issuer</b>	<b>Percentage of Investments</b>
<b>2010</b>	STAROhio	100%
<b>2009</b>	STAROhio	100%

Custodial Credit Risk: Custodial Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s investment in the repurchase agreement are exposed to custodial credit risk is that they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the District’s name.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2010 and 2009

---

**NOTE G – DEFINED BENEFIT RETIREMENT PLAN**

- A. Northwest Regional Water District 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% per year). Under the member-directed plan, members accumulate retirement assets equal to 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 that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.
- B. OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- B. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.
- C. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.
- D. The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. The 2010 District contribution rate was 10% of covered payroll for employees and 14% of covered payroll for employers.

The District's contributions to OPERS for the years ended December 31, 2010, 2009, and 2008 were \$66,390, \$63,944, and \$61,026, respectively. All required contributions have been made for all three years.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2010 and 2009

---

**NOTE H – POSTEMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans; the traditional plan – 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 post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members 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.

In order to qualify for post-employment health care coverage, age and service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by the OPERS meets the definition of the Other Postemployment Benefit (OPED) as described in GASB Stated No.45.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 227 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Northwest Regional Water District required contributions for health care for the years ended December 31, 2010, 2009, and 2008 were \$27,019, \$25,126 and \$16,547 respectively; 100% has been contributed for 2010. 2009 and 2008. The employer contribution rate was 14% of covered payroll for the year 2010; 5.5% was the portion used to fund health care, while employees rates were 10%.

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 increased as of January 1, 2007 and January 1, 2008 which allowed additional funds to be allocated to the health care plan.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2010 and 2009

---

**NOTE I – CONTINGENT LIABILITIES**

There were no contingent liabilities as of December 31, 2010.

**NOTE J – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal years 2010 and 2009, the District contracted with Riffe-Dyer Insurance for real property, building contents, and vehicle insurance coverage.

The District has not had any significant reductions in insurance coverage from coverage in prior years by major category of risk. Settled claims resulting from the above risks have not exceeded commercial insurance coverage in any of the past three years.

**NOTE K – COMPLIANCE**

The District was in violation of 5705.41D for not properly certifying funds in 2010 and 2009.



## Caudill & Associates, CPA

725 5<sup>th</sup> Street Portsmouth, OH 45662

P: 740.353.5171 | F: 740.353.3749

www.caudillcpa.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

### **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Trustees  
Northwest Regional Water District  
P.O. Box 158  
McDermott, Ohio 45652-0158

We have audited the financial statements of the business-type activities of the Northwest Regional Water District. (the District) as of and for the years ended December 31, 2010 and 2009 which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 28, 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 auditing procedures for the purpose of expressing an 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 internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements 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 was not designed to identify all deficiencies in internal control over financial reporting 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.

Northwest Regional Water District  
Scioto County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

### **Compliance and Other Matters**

As part of reasonably assuring whether the Districts 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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2010-001.

This report is intended solely for the information and use of the Board of Trustees, Management, the Auditor of State and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

*Caudill & Associates, CPA*

Caudill & Associates, CPA

June 28, 2011

NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

**FINDING NUMBER 2010-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41 (D)(1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D)(1):

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

100% of the expenditures tested were not properly certified in 2009 and 2010.

We recommend the District implement policies to ensure that all purchases first have monies certified by the Office Manager before purchasing or ordering an item. We also recommend the use of a "then and now" certificate in instances of emergency or absence of proper authority and to begin the use of purchase orders.

**District Response:**

District management is considering the Auditor's recommendation and what plan to implement to correct this comment.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2008-001	ORC Section 5705.71(D)	No	Repeated as Finding 2010-001



# Dave Yost • Auditor of State

**NORTHWEST REGIONAL WATER DISTRICT**

**SCIOTO COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 9, 2011**