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Scioto County Regional Water District #1

Scioto County

Regular Audit

January 1, 1999 Through December 31, 1999

Fiscal Year Audited Under GAGAS: 1999

Scioto County Regional Water District #1

Scioto County

Regular Audit

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Fiscal Year Audited Under GAGAS: 1999

**MICHAEL A. BALESTRA, CPA, INC.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**528 SOUTH WEST STREET, P.O. BOX 687**  
**PIKETON, OHIO 45661**

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

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SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

APPOINTED OFFICIALS  
AS OF DECEMBER 31, 1999

<u>Name</u>	<u>Title</u>	<u>Term of Office</u>	<u>Surety</u>
Kenneth Coriell	President	9-6-98 to 12-31-99	(A)
Charles Flaig	Secretary	9-6-95 to 12-31-2001	(A)
William Dodson	Treasurer	9-6-96 to 12-31-99	(A)
Neil Stroth	Vice President	9-6-96 to 12-31-99	(A)
David Gruesser	Trustee	9-6-97 to 12-31-2000	(A)
Barbara Nourse	Trustee	9-6-97 to 12-31-2000	(A)
Ralph Arrick, Jr.	Trustee	12-31-99 to 12-31-2002	(A)

Legal Counsel

Mark Kuhn  
612 Sixth Street  
Portsmouth, Ohio 45662

Bieser, Greer, & Landis  
Attorneys At Law  
400 National City Center  
6 N. Main Street  
Dayton, Ohio 45402

Entity's Address

326 Robert Lucas Road  
P.O. Box 310  
Lucasville, Ohio 45648

(A) Not required to be bonded.

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

ADMINISTRATIVE PERSONNEL  
AS OF DECEMBER 31, 1999

<u>Name</u>	<u>Title</u>	<u>Term of Office or Contract Period</u>	<u>Surety</u>
Donald Rider	Chief of Staff	1-1-99 to 12-31-99	
Charles Queen	Lab Chief	1-1-99 to 12-31-99	
Janet Evans	Office Manager	1-1-99 to 12-31-99	(A)
Joyce Thompson	Clerk	1-1-99 to 12-31-99	(A)
Margaret McGinnis	Clerk	1-1-99 to 12-31-99	(A)
Cathy Greene	Clerk	1-1-99 to 12-31-99	(A)
Richard Smith	Computer Programmer	1-1-99 to 12-31-99	
Richard Bradford	Plant Superintendent	1-1-99 to 12-31-99	

(A) There is a blanket bond in effect with the Ohio Government Risk Management Plan in the amount of \$100,000. The policy is in effect from 1-15-99 to 1-15-2000.

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

INDEX OF FUND

PROPRIETARY FUND TYPE:

Enterprise Fund:  
Water Fund



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1<sup>st</sup> Floor  
Columbus, Ohio 43215

Telephone 614-466-4514  
800-282-0370

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Board of Trustees  
Scioto County Regional Water District Number 1

We have reviewed the Independent Auditor's Report of the Scioto County Regional Water District Number 1, Scioto County, prepared by Michael A. Balestra, CPA, Inc. for the audit period January 1, 1999 through December 31, 1999. 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 Scioto County Regional Water District Number 1 is responsible for compliance with these laws and regulations.



JIM PETRO  
Auditor of State

June 6, 2000

**MICHAEL A. BALESTRA, CPA, INC.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**528 SOUTH WEST STREET, P.O. BOX 687**  
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Ohio Society of Certified Public Accountants

Board of Trustees  
Scioto County Regional Water District Number One  
Lucasville, Ohio 45648

Independent Auditors' Report

We have audited the accompanying general purpose financial statements of the Scioto Regional Water District Number One, Scioto County, as of and for the year ended December 31, 1999. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Scioto Regional Water District Number One, as of December 31, 1999, and the results of its operations and cash flows of its proprietary fund type for the year ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have issued our report dated March 10, 2000 on our consideration of the District's internal control over financial reporting and our test of compliance with certain provisions of laws, regulations, contracts and grants.

*Michael A. Balestra, CPA Inc.*  
Michael A. Balestra, CPA Inc.

March 10, 2000



SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

BALANCE SHEET  
AS OF DECEMBER 31, 1999

Assets:

Current Assets:	
Cash and Cash Equivalents	\$ 225,315
Accounts Receivable	471,389
Deposits	3,975
Prepaid Expenses	5,529
Inventories	<u>68,462</u>
Total Current Assets	774,670
Deferred Charges	53,154
Restricted Assets:	
Cash and Cash Equivalents	<u>1,351,721</u>
Total Restricted Assets	1,351,721
Fixed Assets net of Accumulated Depreciation	<u>5,409,649</u>
Total Assets	<u>\$7,589,194</u>

Liabilities and Fund Equity:

Current Liabilities:	
Accounts Payable	\$ 124,837
Compensated Absences Payable	90,830
Employee's Withholdings Payable	1,601
Revenue Bonds Payable	133,014
Unset Water Taps Payable	19,350
Lease Purchase Agreement	13,652
Contracted Debt Payable	<u>5,880</u>
Total Current Liabilities	389,164
Noncurrent Liabilities:	
OPWC Loan Payable	111,521
Revenue Bonds Payable	<u>3,580,000</u>
Total Noncurrent Liabilities	<u>3,691,521</u>
Total Liabilities	4,080,685
Fund Equity:	
Contributed Capital - Customers	2,030,673
Retained Earnings - Unreserved	<u>1,477,836</u>
Total Fund Equity	<u>3,508,509</u>
Total Liabilities and Fund Equity	<u>\$7,589,194</u>

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

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
FOR THE YEAR ENDED DECEMBER 31, 1999

Operating Revenues:	
Water Sales	\$2,478,433
Tap Fees	113,587
Lab Tests	1,896
Miscellaneous	<u>41,614</u>
Total Operating Revenues	2,635,530
Operating Expenses:	
Water Tap and New Line Installations	37,687
Supply and Treatment	741,788
Distribution	565,237
Administration and Billing	395,253
Board Expenses	25,368
Scada/Data Process	134,681
Depreciation	<u>451,782</u>
Total Operating Expenses	<u>2,351,796</u>
Operating Income	283,734
Nonoperating Revenues (Expenses):	
Interest Income	89,568
Interest Expense	<u>(240,775)</u>
Total Nonoperating Revenues (Expenses)	<u>(151,207)</u>
Net Income	132,527
Retained Earnings, January 1, 1999 (Restated see Note 10)	<u>1,345,309</u>
Retained Earnings, December 31, 1999	<u>\$1,477,836</u>

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

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 1999

Cash flows from operating activities:	
Cash received from customers	\$2,678,102
Cash paid to suppliers & employees for goods and services	<u>(1,872,774)</u>
Net cash provided by operating activities	805,328
Cash flows from capital financing activities:	
Proceeds from re-issued bonds	2,900,000
Payments for capital acquisitions	(585,917)
Principal payments on short term notes	(100,000)
Principal payments on long term notes	(200,000)
Principal payments - bonds	(1,630,000)
Interest paid on revenue bonds	<u>(266,270)</u>
Net cash provided by capital financing activities	117,813
Cash flows from investing activities:	
Interest earned	<u>89,568</u>
Net increase/decrease in cash and cash equivalents	1,012,709
Cash and cash equivalents, January 1, 1999	<u>564,328</u>
Cash and cash equivalents, December 31, 1999	<u>\$1,577,037</u>

Reconciliation of Operating Income to Net Cash Provided by

Operating Income	\$ 283,734
Adjustments to reconcile net income to net cash from operating activities:	
Depreciation Expense	451,782
Deferred Charges	4,422
(Increase)Decrease in Accounts Receivable	(77,991)
(Increase)Decrease in Loans Receivable	120,563
(Increase)Decrease in Deposits	85
(Increase)Decrease in Prepaid Items	3,187
(Increase)Decrease in Materials and Supplies Inventory	8,422
Increase(Decrease) in Accounts Payable	72
Increase(Decrease) in Interest Payable	(25,495)
Increase(Decrease) in Employee's Withholding Payable	1,601
Increase(Decrease) in Compensated Absences Payable	9,716
Increase(Decrease) in Unset Water Taps Payable	19,350
Increase(Decrease) in Contracted Debt Payable	<u>5,880</u>
Total Adjustments	<u>521,594</u>
Net Cash Provided by Operating Activities	<u>\$ 805,328</u>

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

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Scioto County Regional Water District Number One is a water district organized under the provisions of Section 6119 of the Ohio Revised Code by the Common Pleas Court of Scioto County in August of 1966. The Regional Water District Number One operates under the direction of a seven member board of trustees. An appointed staff consisting of a superintendent, an assistant superintendent, and an office manager are responsible for fiscal control of the resources of the Scioto County Regional Water District Number One. The Scioto County Regional Water District Number One 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 or parts of the following political subdivisions:

Bloom Township  
Clay Township  
Harrison Township  
Jefferson Township  
Madison Township  
Porter Township  
Valley Township  
Vernon Township  
South Webster Village

B. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

For financial statement presentation purposes, the Scioto County Regional Water District Number One utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned. Unbilled water utility service receivables are recorded at year end.

Expenses are recognized under the accrual basis of accounting when the liability is incurred.

Under the guidelines of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the Water District has elected not to apply FASB Statements and Interpretations issued after November 30, 1989, to its proprietary activities.

C. BUDGETARY PROCESS

The District is not subject to the provisions of Section 5705 of the Revised Code as tax revenues are not utilized to finance its operations. However, under the original court order establishing the District, the superintendent provides the board of trustees with an annual budget that is to be used as a guideline to control the expenses of the various accounts within the District. This information changes beginning in fiscal year 2000. See Note 10 for additional information.

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. CONTRIBUTED CAPITAL

Contributed capital is recorded by the District for receipts of capital grants or contributions from developers and customers. Contributed capital of the Scioto County Regional Water District Number One has been entirely from customers.

E. PROPERTY, PLANT, AND EQUIPMENT

Fixed assets acquired or constructed for the general use of the District in providing service are recorded at cost. Donated assets are recorded at their estimated fair market value at the time received. Depreciation of fixed assets of the District is calculated utilizing the straight line method. All assets reported in the financial statements are at cost less accumulated depreciation. The estimated useful lives by major fixed asset class are as follows:

Supply Facilities, Wells & Pumps	8 years
Transportation Equipment	5 years
Water Treatment Plant	40 years
Other Equipment	5 years
Distribution System & Lines	40 years
Furniture and Other Equipment	10 years

F. INVENTORY

The District maintains material inventory for its proprietary fund. All inventory is valued at cost and the District uses the first-in, first-out (FIFO) flow assumption in determining cost.

G. COMPENSATED ABSENCES

Accumulated vacation leave and accumulated compensatory time are recorded as an expense and liability of the District as the benefits accrue to the employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, a liability is recorded for vested sick pay benefits which have been defined by District policy as available to those employees with ten years or more of service up to a maximum of two-hundred-forty hours.

H. PENSIONS

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

I. CASH & CASH EQUIVALENTS

To improve cash management, cash received by the District is pooled. The Proprietary fund's interest in the pool is presented as "cash and cash equivalents" on the balance sheet.

During fiscal year 1999, investments were limited to U.S. Treasury Obligations and repurchase agreements.

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. CASH & CASH EQUIVALENTS (Continued)

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 and nonnegotiable certificates of deposit are reported at cost.

The District's cash and cash equivalents are considered to be cash on hand, deposits and short term investments (including restricted assets) with maturities of three months or less from the date of acquisition.

J. FUND ACCOUNTING

The Scioto County Regional Water District Number One maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific revenues and expenses. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restriction associated with each type of fund is as follows:

PROPRIETARY FUND

The proprietary fund is used to account for the District's ongoing activities that are similar to those found in the private sector. The following is the District's proprietary fund type:

Enterprise Fund

This fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

K. Deferred Charges

Non-regularly recurring, noncapital costs of operations that benefit future periods. These costs include those incurred in connection with deferred hydrology, hydrology study, and long and short term sludge plan. Deferred charges expense for 1999 was \$4,422 leaving a balance of \$53,154.

L. Prepaid Expenses

Charges entered in the accounts for benefits not yet received. Prepaid expenses differ from deferred charges in that they are spread over a shorter period of time than deferred charges and are regularly recurring costs of operation. Prepaid expenses for 1999 were \$5,529.

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. ESTIMATES

The preparation of 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.

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

Inactive deposits are public deposits the Board 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 District'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 established by the financial institution to secure the repayment of all public money deposited with the institution.

State statute permits monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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;

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, 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 and 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 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 qualified trustee 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 had \$350 in undeposited cash on hand which is included on the balance sheet of the District as part of "cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

**Deposits** At year end, the carrying amount of the District's deposits was \$12,819 and the bank balance was \$44,404. The bank balance was covered by federal depository insurance.

**Investments** The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio is an unclassified investment since they it is not evidenced by securities that exist in physical or book entry form.



SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	Category 1	Category 3	Carrying Amount	Fair Value
Repurchase Agreements	\$0	\$396,647	\$396,647	\$396,647
U.S. Treasury Obligations	\$1,167,220	\$0	\$1,167,220	\$1,167,220
Total Investments			<u>\$1,563,867</u>	<u>\$1,563,867</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents Deposits	Investments
GASB Statement 9	\$1,577,036	\$0
Cash on Hand	(350)	
Investments:		
U.S. Treasury Obligation	(1,167,220)	1,167,220
Repurchase Agreement	(396,647)	396,647
GASB Statement 3	<u>\$12,819</u>	<u>\$1,563,867</u>

NOTE 3 - DEBT OBLIGATIONS

Debt outstanding at December 31, 1999, consisted of the following:

Revenue Bonds-Series 91	
Principal Outstanding	\$ 950,000
Interest Rate	7.25%
Water System Revenue Refunding & Improvement Bonds	
Principal Outstanding	\$ 2,760,000
Interest Rate	3.95%
OPWC Loan	
Principal Outstanding	\$ 114,535
Interest Rate	0.00%

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)

NOTE 3 - DEBT OBLIGATIONS (Continued)

The Series-91 revenue bonds were issued to fund capital expenditures to improve the system. Revenue of the District has been pledged to repay this debt.

The revenue refunding and improvement bonds are special obligations of the District, payable solely from the pledged revenues of its water system and the revenue fund created under the indenture. The bonds were issued to fund capital expenditures to improve the system.

The OPWC loan was issued for the purpose of financing the fairgrounds road waterline. Revenue of the District has been pledged to repay this debt.

The annual requirements to amortize all bonded debt outstanding as of December 31, 1999, including interest payments of \$2,145,416, are as follows:

Year Ending December 31	Series-91 Revenue Bonds	Revenue Refunding Bonds	Total Revenue Bonds
2000	\$ 68,875	\$ 263,615	\$ 332,490
2001	68,875	263,280	332,155
2002	68,875	262,538	331,413
2003	68,875	261,372	330,247
2004	68,875	259,808	328,683
2005-2009	344,375	1,302,098	1,646,473
2010-2014	<u>1,196,500</u>	<u>1,357,455</u>	<u>2,553,955</u>
Total	<u>\$1,885,250</u>	<u>\$3,970,166</u>	<u>\$5,855,416</u>

The annual requirements to amortize all loan debt outstanding as of December 31, 1999 is as follows:

Year Ending December 31	OPWC Loan
2000	\$ 3,014
2001	6,028
2002	6,028
2003	6,028
2004	6,028
2005-2009	30,141
2010-2014	30,141
2015-2018	<u>27,127</u>
Total	<u>\$ 114,535</u>

NOTE 4 - 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 year 1998, the district contracted with Ohio Government Risk Management for real property, building contents, and vehicle insurance coverage.

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)

NOTE 4 - RISK MANAGEMENT (Continued)

Coverages provided by the program are as follows:

General Liability	\$1,000,000
Public Officials	\$1,000,000
Inland Marine	\$278,672
Automobile	\$1,000,000
Faithful Performance & Employee Bond	\$100,000

Vehicle policies include liability coverage for bodily injury and property damage. Real property and building contents are 80% insured.

Health insurance was provided by a private carrier, Managing Underwriters Inc. for the year.

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. The District pays all elected officials' bonds by statute.

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

NOTE 5 - PENSION PLAN

A. Public Employees Retirement System

1. Pension Benefit Obligation

All employees of the Water District participate in the Public Employees Retirement System of Ohio (the "PERS of Ohio"), a cost-sharing multiple employer defined benefit pension plan. PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for employees is 8.5%. The 1998 employer rate for local government employer units was 13.55%, of covered payroll, 8.44% to fund the pension benefit obligation and 5.11% to fund health care. The contribution requirements of plan members and the Water District are established and may be amended by the Public Employees Retirement Board. The Water District's contributions to the PERS of Ohio for the year ending December 31, 1997, 1998, and 1999 was \$75,341, \$95,513 and \$117,028 respectively which was equal to the required contributions.

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1999

(Continued)

NOTE 5 - PENSION PLAN (Continued)

A. Public Employees Retirement System (Continued)

2. Other Postemployment Benefits

Public Employees Retirement System: The Public Employees Retirement System of Ohio (the System) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the System is set aside for the funding of postretirement health care based on authority granted by state statute.

The 1999 employer contribution rate was 13.55 percent of covered payroll; 5.11 percent was the portion that was used to fund health care for 1999. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB during 1998 were \$440,596,663. As of December 31, 1998 the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. The number of benefit recipients eligible for OPEB at December 31, 1998 was 115,579.

During 1997, the Retirement board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

NOTE 6 - COMPENSATED ABSENCES

All full-time District employees earn vacation at varying rates based upon length of service. Upon separation from the Water District, the employee (or his estate) is paid for his accumulated unused vacation leave balance. All full-time District employees earn sick leave at the rate of 1.25 days per calendar month of active service. Upon retirement from the District, an employee shall receive monetary compensation for a portion of each day of unused sick leave; the monetary compensation shall be at the hourly rate of the employee at the time of retirement.

District employees who work on holidays and in an occasional overtime status are primarily paid on a current basis. However, in some instances the employees are permitted to accrue compensatory time to be taken as time off or to be paid at a later date. At December 31, 1999, the total vested liability for accumulated unpaid vacation, sick leave and compensatory time recorded was \$90,830.

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)

NOTE 7 -FIXED ASSETS

A summary of the District's fixed assets as of December 31, 1999, are as follows:

Land and Rights of Way	\$ 147,787
Supply Facilities, Wells & Pumps	1,019,369
Water Treatment Plant	3,312,423
Distribution System & Lines	5,930,806
Furniture and Other Office Equipment	138,199
Transportation Equipment	262,956
Other Equipment	816,745
Construction in Progress - Eng. Plans	20,000
Construction in Progress - Rider Well	1,094
Mapping Project	1,394
Construction in Progress - Clarktown Tank	<u>2,215</u>
Total Fixed Assets	11,652,988
Less Accumulated Depreciation	<u>(6,243,339)</u>
Total Net Fixed Assets	<u>\$ 5,409,649</u>

NOTE 8 -CONTINGENCIES

The District is party to legal proceedings. The District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

NOTE 9 - PRIOR PERIOD ADJUSTMENTS

For the year ended December 31, 1999 the following prior period adjustments have resulted in fund equity restatements:

	<u>Retained Earnings</u> <u>at 12/31/98</u>	<u>Prior</u> <u>Period</u> <u>Adjustments</u>	<u>Restated</u> <u>Retained Earnings</u> <u>at 1/1/99</u>
1. To record net Adjustments to 1998	\$1,337,009	\$8,300	\$1,345,309

NOTE 10 - SUBSEQUENT EVENTS

Ohio Attorney General Opinion Number 99-020 states that regional water and sewer districts are taxing units pursuant to Ohio Revised Code 5705.01(H) for the purpose of complying with the provisions set forth in Ohio Revised Code Chapter 5705. With the issuance of this opinion, all taxing units, regardless of whether taxes are levied or bonds are issued, are subject to the requirements of Ohio Revised Code Chapter 5705. Based upon the conclusion set forth in this opinion, the Auditor of State will begin auditing for compliance with the budgetary requirements of Chapter 5705 for all taxing units beginning with audits for fiscal year 2000.

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Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GAS**

Board of Trustees  
Scioto County Regional Water District Number One  
P.O.Box 310  
Lucasville, Ohio 45648

We have audited the general purpose financial statements of the Scioto County Regional Water District Number One, Scioto County, as of and for the year ended December 31, 1999, and have issued our report thereon dated March 10, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Trustees  
Scioto County Regional Water District Number One  
Lucasville, Ohio 45648  
Page 2

We noted a matter involving the internal control over financial reporting that we have reported to the management of the District is a separate letter dated March 10, 2000.

This report is intended for the information and use of the audit committee, management, and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

*Michael A. Balestra, CPA, Inc.*

Michael A. Balestra, CPA Inc.

March 10, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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SCIOTO COUNTY REGIONAL WATER DISTRICT #1

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.

By Susan Babbitt

Date: JUNE 22, 2000