

**TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY**



**Yellow Book Report**

**December 31, 2013**





# Dave Yost • Auditor of State

Board of Trustees  
Tri-Cities North Regional Wastewater Authority  
3777 Old Needmore Road  
Dayton, Ohio 45424

We have reviewed the *Independent Auditor's Report* of the Tri-Cities North Regional Wastewater Authority, Montgomery County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2013 to December 31, 2013. 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 Tri-Cities North Regional Wastewater Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

May 20, 2014

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**INDEPENDENT AUDITOR'S 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  
Tri-Cities North Regional Wastewater Authority  
3777 Old Needmore Road  
Dayton, OH 45424

We have audited, in accordance with the 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, the financial statements of the Tri-Cities North Regional Wastewater Authority, (the Authority), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 22, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plattenburg & Associates, Inc.*

Dayton, Ohio  
April 22, 2014



**TRI-CITIES  
NORTH REGIONAL  
WASTEWATER AUTHORITY**  
Montgomery County, Ohio

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R  
EPORT**

For Year Ended December 31, 2013







# *Tri-Cities North Regional Wastewater Authority*

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Montgomery County, Ohio

Comprehensive Annual Financial Report

For the Year Ended December 31, 2013

Prepared By: David J. Heckler General Manager
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***Tri-Cities North Regional Wastewater Authority***  
***Montgomery County, Ohio***  
**Comprehensive Annual Financial Report**  
**Year ended December 31, 2013**

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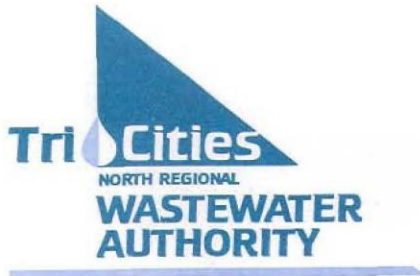
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## INTRODUCTORY SECTION





3777 Old Needmore Road  
Dayton, OH 45424  
(937) 236-6558  
Fax (937) 236-6581

April 22, 2014

Citizens, Taxpayers and Consumers of the Cities of Huber Heights, Vandalia and Tipp City  
Board of Trustees of Tri-Cities North Regional Wastewater Authority  
Mayors and Members of Council of the Cities of Huber Heights, Vandalia and Tipp City  
Tri-Cities North Regional Wastewater Authority Finance Committee Members  
Tri-Cities North Regional Wastewater Authority Technical Committee Members  
Tri-Cities North Regional Wastewater Authority Planning and Development Committee Members

I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the Tri-Cities North Regional Wastewater Authority (Tri-Cities). This report for the year ended December 31, 2013, contains the financial statements and other financial and statistical data that provide complete and full disclosure of all material financial aspects of Tri-Cities.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

Plattenburg & Associates, Inc., Certified Public Accountants, have issued an unmodified (“clean”) opinion on the Tri-Cities North Regional Wastewater Authority financial statements for the year ended December 31, 2013. The independent’s auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

### **Profile of the Government**

Located on a hillside, near the intersection of State Route 202 and Needmore Road, is the wastewater treatment facility that serves the cities of Huber Heights, Vandalia and Tipp City. After two years of serious negotiations, these cities assumed full ownership of this facility from the Miami Conservancy District in an unprecedented acquisition that closed on June 11, 1996.

Under the provisions of Ohio Revised Code Section 715.02, the cities of Huber Heights, Vandalia and Tipp City signed a joint venture agreement to create Tri-Cities North Regional Wastewater Authority. Through Tri-Cities, the cities have full responsibility for the North Regional Wastewater Treatment Plant and associated facilities. Tri-Cities mission is to provide cost effective, environmentally responsible, and reliable wastewater treatment services for the cities of Huber Heights, Vandalia, and Tipp City. This mission is accomplished through the efforts of the professional staff that manages, operates and maintains the facilities, which include 10 miles of interceptor sewer, an innovative and advanced wastewater treatment plant, and a dedicated farm for bio-solids reuse. Tri-Cities facilities are often toured by schools, civic groups, and others interested in learning how technology and science, combined with the dedication of a talented professional staff, can preserve and enhance our irreplaceable water resource.

Prior to June of 1996, the Miami Conservancy District provided the Cities of Huber Heights, Vandalia, and Tipp City with wastewater treatment services. The Miami Conservancy District expressed the intent to discontinue these services to the cities and gave them the option to acquire and operate the facility themselves. In order to do so, the three cities established the Tri-Cities North Regional Wastewater Authority. In June of 1996, the Miami Conservancy District deeded the wastewater facility and all of the assets and liabilities associated with the facility to the joint venture at no cost to the joint venture.

Tri-Cities is a joint venture among the cities of Huber Heights, Vandalia, and Tipp City. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Tri-Cities is a stand-alone government that is governed by a management board consisting of the city managers of the three cities. The board has complete authority over all aspects of the operation. Tri-Cities has no component units.

An annual operating budget is adopted for management purposes. Budget information is reported to the board of participants, and modifications may only be made by resolution of the board.

### **Items of Interest**

Tri-Cities wastewater-treatment plant utilizes physical, biological and chemical processes to treat wastewater collected from the cities of Huber Heights, Vandalia and Tipp City. The wastewater treatment process is very similar to that which occurs naturally in rivers and lakes, however; wastewater treatment plants are designed to speed up and enhance the natural cleaning process. The physical processes, the “primary” steps in treating wastewater, utilize screens, settling tanks and skimming devices to remove about half of the pollutants - mostly sand, grit and other heavy or large solids typically found in wastewater. The “secondary” step is a biological one where micro-organisms feed on the waste remaining in the water until about 85% of the pollutants are removed. A separate, advanced secondary step biologically removes ammonia. With more than 95% of the pollutants removed, the wastewater is chemically disinfected before it is released into the Great Miami River.



The organic solids removed in these treatment processes are further treated and stabilized to meet stringent regulatory standards for reuse as agricultural fertilizer. A dedicated pipeline was constructed as part of the north regional wastewater system to convey the stabilized sludge seven miles north to Tri-Cities dedicated farm where it is temporarily stored in strategically placed tanks. Pumping sludge to the farm has allowed Tri-Cities to avoid the expense of owning, operating and maintaining a fleet of semi trucks and trailers. While this not only reduces wear and tear on city and county roads, it also minimizes workers' safety issues. Historically, at certain times of the year, sludge was withdrawn from the storage tanks into specially equipped field tankers pulled by tractors. Tri-Cities began use of a new dragline system in 2003 that greatly improved the efficiency of sludge injection because it replaces the use of tankers on most of Tri-Cities fields. This new umbilical type of operation involves pumping sludge directly to the tractor that pulls the hose and injection tool across the fields. Ultimately, sludge is incorporated directly into the soil approximately four inches below the surface where nutrients from the sludge enrich the soil and provide 100% of the nitrogen needed for the grain crops grown on this farm. Reusing the sludge in this way has eliminated the use of commercial fertilizers.

In addition to returning clean water to the river and nutrients to the soil, the north regional wastewater treatment plant is equipped with internal combustion engines fueled with methane gas, a byproduct of the sludge stabilization process. These engines turn generators that produce much of the electricity needed to pump the north regional interceptor sewer influent to the head works of the treatment plant.

Tri-Cities is equipped with a customized sewer maintenance and inspection vehicle used to inspect, evaluate and monitor the sanitary sewers that convey sewage to the treatment plant. A digital video camera, purchased in 2006, is lowered into the sewers and records their condition on a computer system. To aid in overall inspection and sewer line assessment, Tri-Cities purchased a combination jet/vac unit in 2005. This piece of equipment is truck mounted and is used to clean the lines using high pressure water jets in combination with a vacuum system to remove debris from the lines when necessary. Tri-Cities purchased a slip lining system in 2012 which allows for immediate repair of line defects discovered during inspections. This has replaced the use of a grout packer which was often used to seal minor leaks. The inspection vehicle is also equipped with an ElectroScan inspection system purchased in 2013 which utilizes a new technology to detect line defects and prioritize needed repairs. Additionally, portable flow meters used to measure how much wastewater flows through segments of the sewer system. Flow data is useful in identifying where leaks and unauthorized connections may be contributing to rainfall induced high flows.

An on-site laboratory is used to conduct hundreds of tests each year. These tests are performed by operations staff and certified laboratory professionals. Test results are used to evaluate treatment process performance and to monitor compliance with permit limits. Samples are collected from various locations in the sewer system and the treatment plant as well as from groundwater monitoring wells at the farm. Samples from the Great Miami River are also collected upstream and downstream of the north regional wastewater treatment plant discharge point to monitor potential impacts on the river.

From the collection of raw wastewater to the reuse of stabilized sludge, the north regional facilities are proudly operated and maintained for Tri-Cities by a private operations contractor. An agreement for contract operation and maintenance has been in place since the facilities first came online in 1985, and employee training and certification is ongoing by the contractor to ensure quality performance and compliance with Tri-Cities wastewater discharge permit.

Efficiency, compliance and safety were key ingredients in the design of the north regional wastewater treatment facilities, and continue to be the three goals in day-to-day operations and maintenance. With the aid of programmable controllers and computerized monitoring systems, the north regional facilities are staffed just one shift per day, five days a week.

### **Local Economy**

Each of Tri-Cities member cities continue to experience a slight increase in the rate of growth in housing and new subdivisions currently being built. Manufacturing and commercial activity in Tri-Cities service area is also increasing as it is throughout other portions of Ohio and the nation. This affects Tri-Cities because industries often are monitored through Tri-Cities Industrial Pretreatment Program designed to work with industries to make certain that pollutants are treated on-site and not discharged into the sewer system. The increase in manufacturing and other commercial development has resulted in an increase in Industrial Pretreatment activity.

### **Long-term Financial Planning**

Tri-Cities had a decrease of \$258,072 in net position during 2013. With continued sound fiscal management coupled with the assistance of members of Tri-Cities Finance Committee only slight changes in net position are expected from year to year. Tri-Cities financial condition is relatively constant and the intent is not to profit from its operations but to recover costs. Tri-Cities continues to invest in its wastewater treatment plant through capital improvements and periodic upgrades of equipment but rates charged for wastewater treatment usage continues to remain constant.

### **Relevant Financial Policies**

It is the policy of Tri-Cities to invest public funds in a manner which will provide the highest investment return with maximum security, while meeting daily cash flow demands. Investment objectives in order of priority are safety of principal, liquidity, diversification and public confidence. Compliance with this policy provides Tri-Cities reasonable return while protecting principal during varying economic conditions and allows Tri-Cities to meet its cash flow obligations.

Tri-Cities adopts an annual budget, which has proven beneficial through a process which involves the general manager preparing a budget draft which is reviewed and modified as necessary by each of Tri-Cities committees prior to a recommended draft being presented for Board consideration. Tri-Cities management follows a continuous improvement approach to meet its mission and contain costs. It is worth noting that Tri-Cities annual operations and maintenance revenue requirement is the same today that it was in 1996 as the entity has not raised rates since its inception.

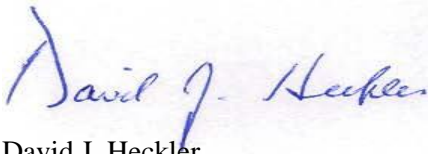
## **Major Initiatives**

A \$4.56 million construction contract was awarded in 2013 for construction of a new pumping station and equalization basins (designed in 2011 and 2012) to contain and convey high flows during extreme wet weather events. The project is currently underway and intended to be completed by the fall of 2014.

## **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Tri-Cities North Regional Wastewater Authority, Ohio, for its Comprehensive Annual Financial Report for the year ended December 31, 2012. This was the twelfth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. I believe this report conforms to the Certificate of Achievement Program requirements, and I am submitting it to GFOA to determine its eligibility for another certificate.

I want to especially thank Brenda K. Gossett who contributed much time and effort in helping me prepare this report and I also thank Lorrie Miller of Lennon & Company for guidance and help in preparing this report.



David J. Heckler  
General Manager

***Tri-Cities North Regional Wastewater Authority***  
***Montgomery County, Ohio***  
List of Principal Officials  
For the Year Ended December 31, 2013

Board of Trustees

Doug Knight	Interim City Manager, City of Vandalia
Jon Crusey	City Manager, City of Tipp City
Rob Schommer	Interim City Manager, City of Huber Heights

Appointed Official

David J. Heckler	General Manager and Assistant Secretary
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Finance Committee

Bridgette Leiter	Finance Director, City of Vandalia
John Green	Finance Director, City of Tipp City
James A. Bell	Finance Director, City of Huber Heights

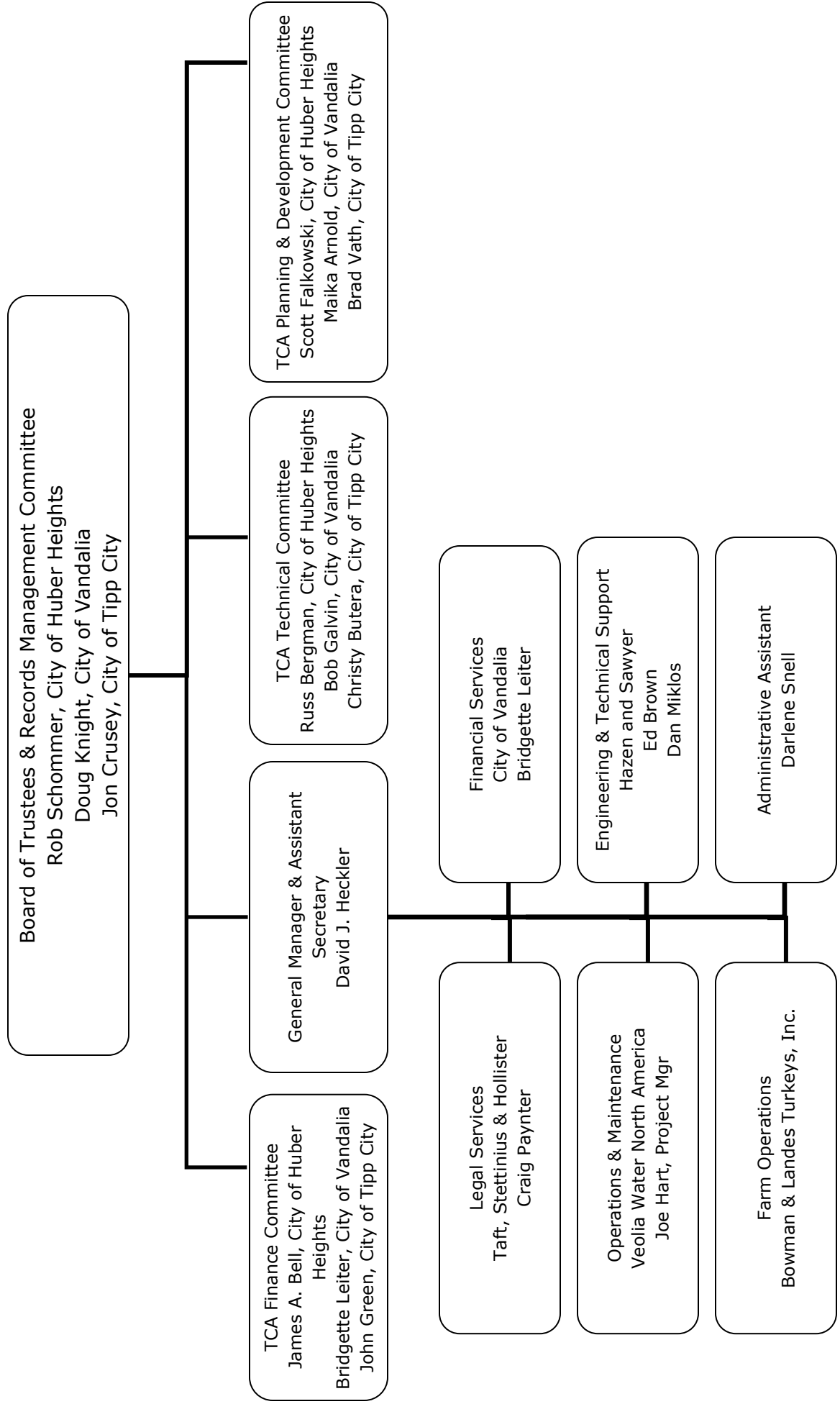
Technical Committee

Bob Galvin	City Engineer, City of Vandalia
Russ Bergman	City Engineer, City of Huber Heights
Christy Butera	Director of Utilities, City of Tipp City

Planning and Development Committee

Maika Arnold	City Planner, City of Vandalia
Scott Falkowski	Planning & Development Director, City of Huber Heights
Brad Vath	Assistant City Manager, City of Tipp City

# TCA Organization 2013





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Tri-Cities North Regional  
Wastewater Authority**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2012**

Executive Director/CEO

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## FINANCIAL SECTION





## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Tri-Cities North Regional Wastewater Authority  
3777 Old Needmore Road  
Dayton, OH 45424

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Tri-Cities North Regional Wastewater Authority (the Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2013, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Revenues, Expenses and Changes in Fund Equity, Budget Basis and Actual, Introductory Section and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Expenses and Changes in Fund Equity, Budget Basis and Actual is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenses and Changes in Fund Equity, Budget Basis and Actual is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2014, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Dayton, Ohio  
April 22, 2014

***Tri-Cities North Regional Wastewater Authority***

Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

The discussion and analysis of Tri-Cities North Regional Wastewater Authority's (Tri-Cities) financial performance provides an overall review of the financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at Tri-Cities financial performance as a whole and readers should also review the transmittal letter, notes to the basic financial statements, and the financial statements to enhance their understanding of Tri-Cities financial performance.

**Financial Highlights**

Key financial highlights for 2013 are as follows:

- Total net position decreased \$258,072 which represents a 0.83% decrease from 2012.
- Total assets increased \$769,113 which represents a 2.07% increase from 2012.
- Total liabilities increased by \$1,027,185. Current liabilities decreased \$163,924. Non-current liabilities increased by \$1,191,109. These variances are resulting primarily from principal payments and additional proceeds on Tri-Cities OWDA loans.
- Charges for Services remained constant due to no change in the current charge to member cities of not more than \$1.25 per thousand gallons of usage.

**Using this Financial Report**

The financial section consists of three parts, the management's discussion and analysis, the basic financial statements, and an optional section that contains budgetary information. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in fund net position, and a statement of cash flows. Since Tri-Cities only uses one fund for its operations, the entity wide and the fund presentation information is the same.

**Statement of Net Position**

The Statement of Net Position answers the question, "How did we do financially during 2013?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, deferred outflows of resources, and deferred inflows of resources, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports Tri-Cities net position, however, in evaluating the overall position of Tri-Cities, non-financial information such as changes in the condition of Tri-Cities capital assets will also need to be evaluated.

**Tri-Cities North Regional Wastewater Authority**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013  
Unaudited

Table 1 provides a summary of Tri-Cities net position for 2013 compared to 2012:

*Table 1*  
*Net Position*

	<u>2013</u>	<u>2012</u>
<b><u>Assets:</u></b>		
<i>Current and other assets</i>	\$ 5,274,531	\$ 6,389,017
<i>Capital assets, net of depreciation</i>	<u>32,646,681</u>	<u>30,763,082</u>
<i>Total assets</i>	<u>37,921,212</u>	<u>37,152,099</u>
<b><u>Liabilities:</u></b>		
<i>Current and other liabilities</i>	175,878	325,163
<i>Long-term liabilities:</i>		
<i>Due within one year</i>	789,190	803,829
<i>Due in more than one year</i>	<u>6,167,566</u>	<u>4,976,457</u>
<i>Total liabilities</i>	<u>7,132,634</u>	<u>6,105,449</u>
<b><u>Net Position:</u></b>		
<i>Net investment in capital assets</i>	25,691,764	24,984,376
<i>Unrestricted</i>	<u>5,096,814</u>	<u>6,062,274</u>
<i>Total net position</i>	<u>\$ 30,788,578</u>	<u>\$ 31,046,650</u>

The net position of Tri-Cities decreased \$258,072 or 0.83%. With usage rates generating revenue, which reasonably matches expenses, the financial condition of Tri-Cities is relatively constant. Tri-Cities is continuously investing in its wastewater treatment plant through capital improvements and periodic upgrades of associated equipment. The reader must remember that Tri-Cities intent is not to profit from this operation but to recover costs. Unrestricted net position decreased by \$965,460, and net investment in capital assets increased by \$707,388. Total liabilities increased \$1,027,185, which was due to an increase in the long-term liabilities.

Table 2 shows the changes in net position for the year ended December 31, 2013, as well as revenue and expense comparisons to 2012.

**Tri-Cities North Regional Wastewater Authority**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013  
Unaudited

Table 2  
Change in Fund Net Position

	<u>2013</u>	<u>2012</u>
<u>Operating revenues:</u>		
Charges for services	\$ 3,265,055	\$ 3,257,131
Rentals	218,087	133,576
Other revenues	<u>119,146</u>	<u>15,330</u>
Total operating revenues	<u>3,602,288</u>	<u>3,406,037</u>
<u>Operating expenses:</u>		
Personal services	111,806	112,047
Contractual services	2,544,823	2,202,750
Materials and supplies	2,449	2,595
Other operating expenses	36,500	46,988
Depreciation	<u>1,014,651</u>	<u>1,009,875</u>
Total operating expenses	<u>3,710,229</u>	<u>3,374,255</u>
Operating income (loss)	<u>(107,941)</u>	<u>31,782</u>
<u>Nonoperating revenues (expenses):</u>		
Interest income	29,078	41,741
Decrease in fair value of investments	(35,104)	-
Interest expense	<u>(144,105)</u>	<u>(141,488)</u>
Total nonoperating revenues (expenses)	<u>(150,131)</u>	<u>(99,747)</u>
Decrease in net position	(258,072)	(67,965)
Net position at beginning of year	<u>31,046,650</u>	<u>31,114,615</u>
Net position at end of year	<u>\$ 30,788,578</u>	<u>\$ 31,046,650</u>

Tri-Cities only activity is business-type activity, which is the operation of the wastewater treatment plant (including associated piping and facilities). The wastewater treatment plant treats sewage from the three member communities and a small portion of Miami County. Tri-Cities charges each member city for sewage treatment services provided to the cities' residents in accordance with the joint venture agreement dated June 11, 1996. Such charges are allocated based upon each city's annual usage and are adjusted each year accordingly. Rates charged for wastewater treatment usage have remained constant from 1996 through 2013. During 2013, the plant generated revenues from charges for services in excess of \$3.2 million and had total expenses of approximately \$3.7 million.

**Tri-Cities North Regional Wastewater Authority**

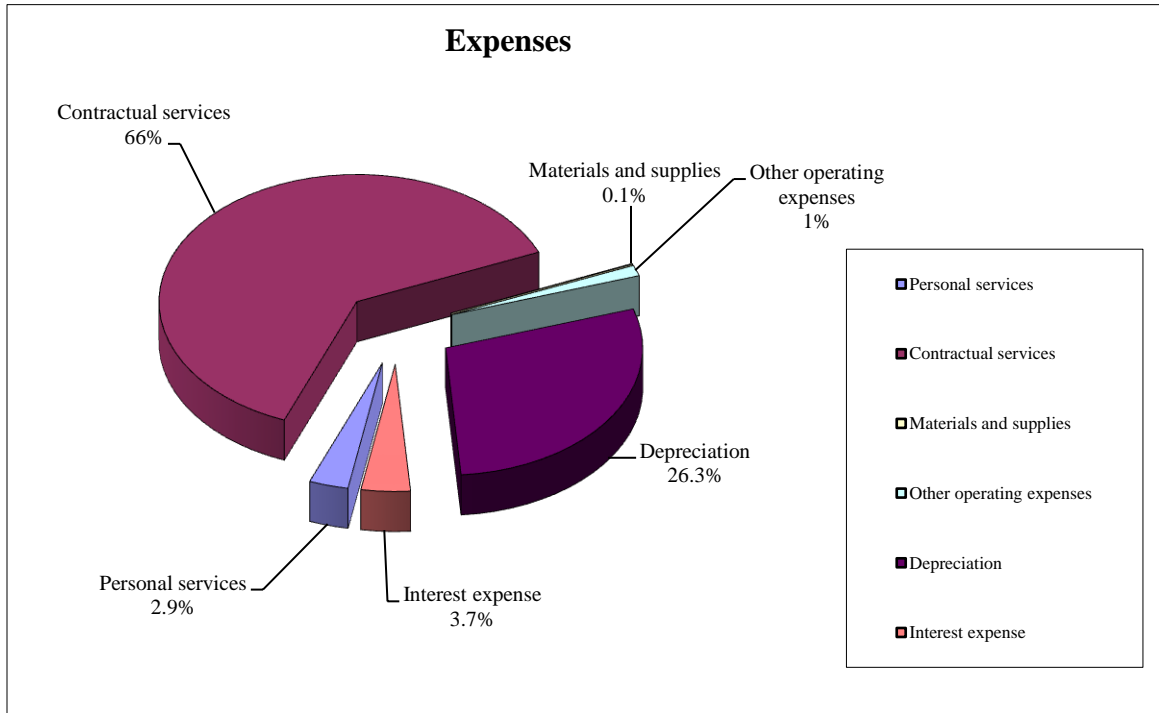
Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

The interest expense of \$144,105 for 2013 resulted from outstanding loans from the Ohio Water Development Authority (OWDA).

Contractual services make up 66% of Tri-Cities expenses. Tri-Cities north regional facilities are operated and maintained for Tri-Cities by a private operations contractor. These expenses are recorded as contractual services. For 2013, contractual services increased \$342,073 from the prior year.



**Capital Assets and Debt Administration**

**Capital Assets**

*Table 3  
Capital Assets, at Year End  
(Net of Depreciation)*

	<u>2013</u>	<u>2012</u>
Land	\$ 3,918,235	\$ 3,901,427
Construction in progress	3,398,315	1,153,315
Infrastructure	2,590,980	2,698,428
Buildings and improvements	19,344,853	19,855,721
Machinery and equipment	3,393,575	3,152,801
Vehicles	723	1,390
<b>Total capital assets</b>	<u>\$ 32,646,681</u>	<u>\$ 30,763,082</u>

**Tri-Cities North Regional Wastewater Authority**

Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

A review of Table 3 shows that capital assets (net of depreciation) increased \$1,883,599. The increase is due to Tri-Cities completing several projects and continuing on with several others during the year.

See Note 4 of the notes to the basic financial statements for more detailed information.

**Debt**

At December 31, 2013, Tri-Cities had five outstanding OWDA loans totaling \$6,954,917; \$787,351 of which is due within one year. This reflects a \$1,176,211 overall increase from 2012 due to the planning stage being completed on the Comprehensive plan/modeling sanitary sewer system project and the loan being rolled into a construction loan for the new Collection System Improvements.

*Table 4  
Outstanding Debt, at Year End*

	<u>2013</u>	<u>2012</u>
<i>OWDA loans payable:</i>		
<i>2000 OWDA loan, 4.66%</i>	\$ 846,696	\$ 939,064
<i>2001 OWDA loan, 0.27%</i>	2,654,606	2,945,603
<i>2004 OWDA loan, 3.79%</i>	541,336	797,137
<i>2004 OWDA loan, 4.00%</i>	271,898	399,981
<i>2013 OWDA loan, 2.84%</i>	<u>2,640,381</u>	<u>696,921</u>
<i>Totals</i>	<u>\$ 6,954,917</u>	<u>\$ 5,778,706</u>

The 2000 loan was issued for the nitrification process improvement project and it matures in 2021. The 2001 loan was issued for the Ross Road pumping station improvements project and it matures in 2022. The 2004 loans were issued for the Sludge Storage Facility & Sludge Application Farm and for the parallel force main sewer project. The 2008 loan carrying a 5.11% interest rate was issued for the Comprehensive plan/modeling sanitary sewer system project and was rolled into a construction loan carrying a lower interest rate during 2013.

See Note 5 of the notes to the basic financial statements for more detailed information.

**Current Financial Issues and Concerns**

At December 31, 2013, Tri-Cities had total assets of \$37,921,212 and total net position of \$30,788,578 which resulted from a change in fund net position of \$258,072. Ongoing prudent management of Tri-Cities resources by the Board of Trustees provided financial stability during 2013.

***Tri-Cities North Regional Wastewater Authority***

Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

**Contacting Tri-Cities**

This financial report is designed to provide the citizens, taxpayers and consumers of the cities of Huber Heights, Vandalia and Tipp City, creditors and investors with a general overview of Tri-Cities finances and to show Tri-Cities accountability for the monies it receives. If you have any questions about this report or need additional financial information, contact David J. Heckler, Tri-Cities General Manager, 3777 Old Needmore Road, Dayton, Ohio 45424, at (937) 236-6558 or email to [dheckler@tri-cities.org](mailto:dheckler@tri-cities.org).



***Tri-Cities North Regional Wastewater Authority***

**Montgomery County, Ohio**

**Statement of Net Position**

**December 31, 2013**

Assets:

Current assets:

Equity in pooled cash and cash equivalents	\$	1,698,183
Investments		3,149,327
Receivables:		
Accounts		278
Accounts from related parties		419,121
Accrued interest		6,015
Prepaid items		1,607
Total current assets		<u>5,274,531</u>

Non-current assets:

Capital assets:

Land		3,918,235
Construction in progress		3,398,315
Depreciable capital assets, net		<u>25,330,131</u>
Total non-current assets		<u>32,646,681</u>
Total assets		<u>37,921,212</u>

Liabilities:

Current liabilities:

Accounts payable		170,616
Accrued wages and benefits		3,269
Compensated absences payable		1,839
Due to other governments		1,993
OWDA loans payable		<u>787,351</u>
Total current liabilities		<u>965,068</u>

Long-term liabilities:

OWDA loans payable, net of current portion		<u>6,167,566</u>
Total liabilities		<u>7,132,634</u>

Net position:

Net investment in capital assets		25,691,764
Unrestricted		<u>5,096,814</u>
Total net position	\$	<u>30,788,578</u>

See accompanying notes to the basic financial statements.

***Tri-Cities North Regional Wastewater Authority***  
**Montgomery County, Ohio**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended December 31, 2013**

<u>Operating revenues:</u>	
Charges for services	\$ 3,265,055
Rental income	218,087
Other	119,146
Total operating revenue	<u>3,602,288</u>
<u>Operating expenses:</u>	
Personal services	111,806
Contractual services	2,544,823
Supplies and materials	2,449
Other operating costs	36,500
Depreciation	1,014,651
Total operating expenses	<u>3,710,229</u>
Operating loss	<u>(107,941)</u>
<u>Nonoperating revenues (expenses):</u>	
Interest	29,078
Decrease in fair value of investments	(35,104)
Interest and fiscal charges	(144,105)
Total nonoperating revenues (expenses)	<u>(150,131)</u>
Change in net position	(258,072)
Net position at beginning of year	<u>31,046,650</u>
Net position at end of year	<u>\$ 30,788,578</u>

See accompanying notes to the basic financial statements.

***Tri-Cities North Regional Wastewater Authority***  
**Montgomery County, Ohio**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2013**

Cash flows from operating activities:	
Cash received from customers	\$ 3,466,412
Cash payments for employee services and benefits	(111,279)
Cash payments to suppliers for goods and services	(2,733,190)
Net cash provided by operating activities	<u>621,943</u>
Cash flows from capital and related financing activities:	
Proceeds of loans	1,909,849
Interest paid on debt	(144,105)
Principal payment on loans	(784,749)
Acquisition of capital assets	(2,898,250)
Net cash used for capital and related financing activities	<u>(1,917,255)</u>
Cash flows from investing activities:	
Sale of investments	1,707,648
Purchase of investments	(2,439,868)
Investment income	29,406
Net cash used for investing activities	<u>(702,814)</u>
Net decrease in cash and cash equivalents	(1,998,126)
Cash and cash equivalents at beginning of year	<u>3,696,309</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,698,183</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (107,941)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,014,651
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(135,876)
Prepaid items	135
Increase (decrease) in liabilities:	
Accounts payable	36,484
Contracts payable	(186,037)
Accrued wages and benefits	114
Compensated absences	259
Due to other governments	154
Net cash provided by operating activities	<u><u>\$ 621,943</u></u>

See accompanying notes to the financial statements.

*Tri-Cities North Regional Wastewater Authority*

*Montgomery County, Ohio*

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

**Note 1 – Summary of Significant Accounting Policies and Description of the Reporting Entity**

A. Description of the Reporting Entity

The Tri-Cities North Regional Wastewater Authority (“Tri-Cities”) is a joint venture among the cities of Vandalia, Tipp City and Huber Heights. Tri-Cities is a stand-alone government which is governed by a management board of trustees consisting of the city managers of the three member cities. The board has complete authority over all aspects of the operation. Tri-Cities supplies all participating residents of the member cities with sewage treatment services. Each city owns the sewage lines located in its city and bills its residents for the treatment service provided by Tri-Cities.

Tri-Cities board has retained an outside contractor to manage daily operations. These amounts are recorded as contractual services expense. Tri-Cities board has also hired a General Manager to oversee the management of daily operations. These amounts are recorded as personal services expense.

Tri-Cities charges each member city for sewage treatment services provided to the cities’ residents in accordance with the joint venture agreement dated June 11, 1996. Such charges are allocated based upon each city’s annual usage and are adjusted each year accordingly. The continued existence of Tri-Cities is dependent upon the participation of each member city, and each participating city has an equity interest in Tri-Cities. The following is a schedule of the participating cities’ equity interest at December.

	<u>2013</u>	<u>2012</u>
<i>Vandalia</i>	27.37%	26.88%
<i>Tipp City</i>	20.75%	18.98%
<i>Huber Heights</i>	<u>51.88%</u>	<u>54.14%</u>
	<u>100.00%</u>	<u>100.00%</u>

The financial statements of the Tri-Cities North Regional Wastewater Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Tri-Cities accounting policies are described below.

***Tri-Cities North Regional Wastewater Authority***

***Montgomery County, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

**B. Reporting Entity**

The reporting entity is comprised of the stand-alone government, component units and other organizations that are included to ensure that the financial statements of Tri-Cities are not misleading. The stand-alone government consists of all departments, boards and agencies that are not legally separate from Tri-Cities.

Component units are legally separate organizations for which Tri-Cities is financially accountable. Tri-Cities is financially accountable for an organization if Tri-Cities appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services performed or provided by the organization; or (2) is legally entitled to or can otherwise access the organization's resources; is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on Tri-Cities in that Tri-Cities approves their budget, the issuance of their debt or the levying of their taxes. Based upon the application of these criteria, Tri-Cities has no component units.

**C. Basis of Presentation**

The Tri-Cities North Regional Wastewater Authority basic financial statements consist of a statement of net position, a statement of revenue, expenses and changes in fund net position, and a statement of cash flows.

Tri-Cities use a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

**D. Measurement Focus**

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

***Tri-Cities North Regional Wastewater Authority***

***Montgomery County, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Tri-Cities financial statements are prepared using the accrual basis of accounting.

Revenue is recorded on the accrual basis when the exchange takes place. Expenses are recognized at the time they are incurred.

F. Investments

During 2013, investments included certificates of deposit, and government sponsored mortgage-backed securities.

Investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's current share price.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with an original maturity of three months or less at the time of purchase are reported as cash equivalents on the financial statements.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded.

H. Capital Assets

Capital assets utilized by Tri-Cities are reported on the statement of net position. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Tri-Cities maintains a capitalization threshold of one thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**Tri-Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
<i>Infrastructure</i>	<i>65 years</i>
<i>Buildings and improvements</i>	<i>45-50 years</i>
<i>Machinery and equipment</i>	<i>5-15 years</i>
<i>Vehicles</i>	<i>6 years</i>

Tri-Cities policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset.

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee’s right to receive compensation is attributable to service already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes employees currently eligible to receive termination benefits and those Tri-Cities has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and the employee’s wage rate at year-end, taking into consideration any limits specified in Tri-Cities termination policy.

**J. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Tri-Cities or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Tri-Cities applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. Tri-Cities did not have a restricted net position for 2013.

*Tri-Cities North Regional Wastewater Authority*

*Montgomery County, Ohio*

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

K. Operating and Nonoperating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For Tri-Cities, these revenues are charges for services, rentals, and miscellaneous reimbursements. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of Tri-Cities.

Nonoperating revenues are those revenues that are not generated directly from primary activities. For Tri-Cities, this revenue is interest income. Nonoperating expenses are costs other than those necessary costs incurred to provide the goods or services that are the primary activity of Tri-Cities.

L. Contributions of Capital

Contributions of capital arise from outside contributions of capital assets or outside contributions of resources restricted to capital acquisition and construction. Tri-Cities did not have any capital contributions during 2013.

M. Estimates

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

**Note 2 – Deposits and Investments**

The investment and deposit of Tri-Cities monies are governed by the Investment and Deposit Policy of Tri-Cities North Regional Wastewater Authority as formally adopted by the Board of Trustees. In accordance with these provisions, investments purchased for the portfolio may be safekept only by financial institutions that have been authorized by Tri-Cities Board of Trustees through formal resolution and recommendations received from the Finance Committee, which considers such criteria as the financial institution's insured status, size, financial condition, location and fee structure.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities, the face value of which is at least 105% of the total value of public monies on deposit at the institution.

Investments are made through an individual investment account maintained by the fiscal agent. Whenever there are monies in Tri-Cities account which will not be required to be used for a period of thirty days or more, such funds are invested subject to the limitations contained within the investment policy of Tri-Cities, and subject to all applicable laws and regulations.



**Tri-Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013

The investment objectives controlling the management of Tri-Cities investment portfolio are, in order of importance: (1) Safety of principal. Recognizing that all investments contain one or more elements of risk, the portfolio shall be prudently managed with specific consideration given to credit risk, market risk, and prepayment risk; (2) Liquidity to meet current and contingent requirements; (3) Diversity of investments. Tri-Cities shall diversify its investments to avoid incurring unreasonable risks associated with the practice of concentrating on investments in specific security types and individual institutions; (4) Public Confidence. Tri-Cities shall avoid any transaction which might impair its public confidence.

According to the Tri-Cities investment policy, the maximum maturity of any investment is limited to a final stated maturity of five years or an average life of five years, where the average life is estimated by nationally recognized firms independent of the dealer selling the security, unless matched to a specific cash flow requirement.

The provisions of Tri-Cities investment policy authorizes the following investments:

1. Bonds, notes, certificates of indebtedness, treasury bills or other securities which are guaranteed by the full faith and credit of the United States.
2. Short-term discount obligations of the Federal National Mortgage Association (FNMA).
3. State Treasury Asset Reserve of Ohio (STAR Ohio).
4. Money market mutual funds registered by the federal government under the amended Investment Company Act of 1940 provided that the portfolio is limited to bonds, notes, certificates of indebtedness, treasury bills or other securities which are guaranteed by the full faith and credit of the United States or agreements to repurchase these same types of obligations.
5. Deposits of any Ohio financial institution subject to collateralization of public funds defined by the Ohio Revised Code.
6. Shares, savings accounts, certificates of deposit, or other deposit accounts legally issuable by Ohio financial institutions.
7. Prime Commercial Paper issued with a credit rating of P-1 by Standard & Poor's Corporation or A-1 by Moody's rating service provided no more than 10% of the portfolio, at the time of investment, is invested in commercial paper.

*Custodial credit risk* is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of Tri-Cities cash and deposits is provided by the FDIC as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105% of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institution. Tri-Cities policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

**Tri-Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013

A. Deposits

At year-end, the carrying amount of Tri-Cities deposits was \$936,735. Based on the criteria described in GASB Statement No. 40 "Deposit and Investment Risk Disclosures", as of December 31, 2013, none of Tri-Cities bank balance of \$1,001,166 was exposed to custodial risk as discussed above.

B. Investments

At December 31, 2013, Tri-Cities had the following investments:

<u>Investment type</u>	<u>Value</u>	<u>Maturity</u>	<u>Rating</u>
<i>Federal National Mortgage Association</i>	\$ 257,358	10/21/15	AA+ <sup>(1)</sup>
<i>Federal Home Loan Bank</i>	247,293	01/18/18	AA+ <sup>(1)</sup>
<i>Federal Home Loan Bank</i>	247,353	01/30/18	AA+ <sup>(1)</sup>
<i>Federal Home Loan Bank</i>	247,353	01/30/18	AA+ <sup>(1)</sup>
<i>Federal Home Loan Bank</i>	247,370	02/27/18	AA+ <sup>(1)</sup>
<i>Federal Home Loan Bank</i>	247,317	04/11/18	AA+ <sup>(1)</sup>
<i>Federal Home Loan Bank</i>	248,715	06/12/18	AA+ <sup>(1)</sup>
<i>Federal Home Loan Bank</i>	248,452	06/13/18	AA+ <sup>(1)</sup>
<i>Federal Home Loan Bank</i>	246,362	06/19/18	AA+ <sup>(1)</sup>
<i>Federal Home Loan Bank</i>	247,225	06/19/18	AA+ <sup>(1)</sup>
<i>Federal Home Loan Bank</i>	247,055	06/19/18	AA+ <sup>(1)</sup>
<i>Total FHLB</i>	<u>2,474,495</u>		
<i>Open-ended mutual fund</i>	<u>761,448</u>	55 <sup>(2)</sup>	AAAm <sup>(1)</sup>
<i>Total investments</i>	<u>\$ 3,493,301</u>		

<sup>(1)</sup> Standard and Poor's rating

<sup>(2)</sup> Weighted average maturity

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
		<u>&lt; 1 year</u>
<i>Negotiable certificates of deposit</i>	\$ 417,474	417,474

All of Tri-Cities negotiable CDs are covered by FDIC insurance.

***Tri-Cities North Regional Wastewater Authority***

***Montgomery County, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

*Custodial credit risk* for an investment is the risk that in the event of failure of the counterparty, Tri-Cities will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in Federal Home Loan Bank (FHLB), and Federal National Mortgage Association (FNMA) are held by the counterparty's trust department or agent and not in Tri-Cities name. All of Tri-Cities negotiable certificates of deposit are registered securities and covered in full by FDIC insurance.

*Interest rate risk* is the possibility that changes in interest rates will adversely affect the fair value of an investment. Tri-Cities investment policy provides that Tri-Cities shall attempt to match the term to maturity of its investments with anticipated cash flow requirements. It limits direct investment in securities with an average life of 5 years from the date of settlement.

*Credit Risk* is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Tri-Cities investment policy limits investment in prime commercial paper to those with a credit rating of P-1 by Standard & Poor's Corporation or A-1 by Moody's rating service.

*Concentration of credit risk* is the possibility of loss attributed to the magnitude of Tri-Cities investment in a single issuer. Tri-Cities investment policy states that the portfolio shall be diversified so as to avoid concentrations of credit risk from any rated issuer: (1) At the time of purchase, aggregate collateralized investments in the obligations of any financial institution are limited to no more than 20% of the portfolio, where eligible collateral is defined by the Ohio Revised Code; (2) At the time of purchase, aggregate investments in the obligations of any U.S. corporation and non-collateralized investments in the obligations of any financial institution are limited to no more than 10% of the portfolio; (3) Investments in eligible short term investments which can be readily converted to cash within 48 hours are limited to no more than 30% of the portfolio. More than 5% of Tri-Cities investments are in FNMA and FHLB and these investments are 69.8% of Tri-Cities total investments, with negotiable CD's and an open-ended mutual fund making up the remaining 10.7% and 19.5% of all investments. Total investments in FNMA is 6.5%, and FHLB is 63.3% of the total investments.

**Note 3 – Accounts Receivable**

Accounts receivable represent monies due from United Water and various other parties. Accounts receivable from related parties are monies due from the City of Vandalia, City of Huber Heights and the City of Tipp for their portion of sewage treatment services. (See Note 6 for more information). No allowance for doubtful accounts has been recorded as all amounts are considered collectible. All receivables are expected to be collected within one year.

**Tri-Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013

**Note 4 – Capital Assets**

Capital asset activity for the year ending December 31, 2013 was as follows:

<b><u>Business-type activities</u></b>	<i>Balance</i> <u>12/31/2012</u>	<i>Increases</i>	<i>Decreases</i>	<i>Balance</i> <u>12/31/2013</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,901,427	\$ 16,808	\$ -	\$ 3,918,235
Construction in progress	<u>1,153,315</u>	<u>2,262,115</u>	<u>(17,115)</u>	<u>3,398,315</u>
Total capital assets, not being depreciated	<u>5,054,742</u>	<u>2,278,923</u>	<u>(17,115)</u>	<u>7,316,550</u>
<i>Capital assets, being depreciated:</i>				
Infrastructure	4,259,278	2,750	-	4,262,028
Buildings and improvements	25,595,525	47,611	-	25,643,136
Machinery and equipment	8,446,607	586,081	-	9,032,688
Vehicles	<u>305,585</u>	<u>-</u>	<u>-</u>	<u>305,585</u>
Total capital assets, being depreciated	<u>38,606,995</u>	<u>636,442</u>	<u>-</u>	<u>39,243,437</u>
<i>Less accumulated depreciation:</i>				
Infrastructure	(1,560,850)	(110,198)	-	(1,671,048)
Buildings and improvements	(5,739,804)	(558,479)	-	(6,298,283)
Machinery and equipment	(5,293,806)	(345,307)	-	(5,639,113)
Vehicles	<u>(304,195)</u>	<u>(667)</u>	<u>-</u>	<u>(304,862)</u>
Total accumulated depreciation	<u>(12,898,655)</u>	<u>(1,014,651)</u>	<u>-</u>	<u>(13,913,306)</u>
Total capital assets being depreciated, net	<u>25,708,340</u>	<u>(378,209)</u>	<u>-</u>	<u>25,330,131</u>
Business-type activities capital assets, net	<u>\$ 30,763,082</u>	<u>\$ 1,900,714</u>	<u>\$ (17,115)</u>	<u>\$ 32,646,681</u>

**Tri-Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013

**Note 5 – Long Term Obligations**

A summary of debt and other long-term obligations as of December 31, 2013 follows:

	<i>Balance</i>			<i>Balance</i>	<i>Amount</i>
	<u>12/31/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/13</u>	<u>Due in</u>
					<u>One Year</u>
<u>Loans</u>					
2000 OWDA loan, 4.66%	\$ 939,064	\$ -	\$ (92,368)	\$ 846,696	\$ 96,723
2001 OWDA loan, 0.27%	2,945,603	-	(290,997)	2,654,606	291,783
2004 OWDA loan, 3.79%	797,137	-	(255,801)	541,336	265,588
2004 OWDA loan, 4.00%	399,981	-	(128,083)	271,898	133,257
2013 OWDA loan, 2.84%	696,921	1,960,960	(17,500)	2,640,381	-
<i>Total loans</i>	<u>5,778,706</u>	<u>1,960,960</u>	<u>(784,749)</u>	<u>6,954,917</u>	<u>787,351</u>
<u>Other obligations</u>					
Compensated absences	1,580	1,839	(1,580)	1,839	1,839
<i>Total long-term obligations</i>	<u>\$ 5,780,286</u>	<u>\$ 1,962,799</u>	<u>\$ (786,329)</u>	<u>\$ 6,956,756</u>	<u>\$ 789,190</u>

The 2000 loan was issued for the nitrification improvement project. The principal amount of the original loan is \$1,825,577. The loan was issued with an interest rate of 4.66% with final maturity of January 1, 2021. Current operations are expected to provide cash flows for the repayment of this loan.

The 2001 loan was issued for the Ross Road pumping station improvements project. The principal amount of the original loan \$6,314,982. The loan was issued with an interest rate of .27% with final maturity of July 1, 2022. Current operations are expected to provide cash flows for the repayment of this loan.

The 2004 loan carrying a 3.79% interest rate was issued for the Sludge Storage Facility and Sludge Application Farm. The principal amount of the original loan is \$2,382,257. The loan was issued with a final maturity of July 1, 2015. Current operations are expected to provide cash flows for the repayment of this loan.

The 2004 loan carrying a 4.0% interest rate was issued for interceptor sewer project. The principal amount of the original loan is \$1,167,604. The loan was issued with a final maturity of July 1, 2015. Current operations are expected to provide cash flows for the repayment of this loan.

The 2008 loan carrying a 5.11% interest rate was issued for the comprehensive plan project. The principal amount of the original loan is \$709,823 including capitalized interest. During 2013, the planning loan was rolled into a construction loan with a final maturity of July 1, 2034. This loan is not yet finalized and a repayment schedule has not been established. Current operations are expected to provide cash flows for the repayment of this loan.

**Tri-Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013

The annual debt service requirements for payment of principal and interest at December 31, 2013, are as follows:

<u>Year</u>	<u>OWDA loans</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 787,351	\$ 235,130
2015	1,025,920	208,010
2016	623,322	184,006
2017	635,518	171,626
2018	648,135	632,077
2019-2023	2,793,133	29,604
2024-2025	441,538	146,023
<i>Total</i>	<u>\$ 6,954,917</u>	<u>\$ 1,606,476</u>

The above annual debt service requirements are based upon the latest estimated amortization schedules provided from OWDA. Until a loan is fully disbursed or closed with the OWDA Chief Engineer, a final amortization is not available for the loan.

**Note 6 – Related Party Transactions**

Tri-Cities was party to several transactions during 2013 involving the three member cities, which are summarized as follows:

A. Accounts Receivable

Accounts Receivable as of December 31, 2013, includes the balance due from the member cities for sewage treatment services provided to the cities' residents. The amounts included in accounts receivable from member cities is as follows:

	<u>2013</u>
<i>Vandalia</i>	\$ 81,829
<i>Tipp City</i>	48,222
<i>Huber Heights</i>	<u>289,070</u>
<i>Total</i>	<u>\$ 419,121</u>

B. Charges for Services

Charges for services for 2013 include the amounts charged to the member cities for sewage treatment services provided to the cities' residents. The amount included in charges for services from member cities is as follows:

	<u>2013</u>
<i>Vandalia</i>	\$ 892,921
<i>Tipp City</i>	676,973
<i>Huber Heights</i>	<u>1,693,089</u>
<i>Total</i>	<u>\$ 3,262,983</u>

**Tri-Cities North Regional Wastewater Authority**

**Montgomery County, Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

**Note 7 – Risk Management**

Tri-Cities 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. Tri-Cities carries liability insurance with an independent third party.

The following is a list of insurance coverage and deductibles for 2013:

<u>Coverage</u>	<u>Limit</u>	<u>Deductible</u>
<i>Property</i>	\$ 19,290,081	\$ 2,500
<i>Flood</i>	500,000	25,000
<i>Earthquake</i>	2,000,000	50,000
<i>General liability:</i>		
<i>Per occasion</i>	1,000,000	none
<i>Aggregate</i>	3,000,000	none
<i>Public Officials:</i>		
<i>Per occasion</i>	1,000,000	1,000
<i>Aggregate</i>	3,000,000	1,000
<i>Umbrella:</i>		
<i>Per occasion</i>	5,000,000	
<i>Aggregate</i>	5,000,000	
<i>Contractors equipment</i>	1,721,121	1,000
<i>Crime:</i>		
<i>Employee dishonesty</i>	100,000	1,000
<i>Theft - inside premises</i>	10,000	250
<i>Theft - outside premises</i>	10,000	250
<i>Forgery and alteration</i>	100,000	250
<i>Boiler and machinery</i>	<i>included in property</i>	2,500
<i>Automobile:</i>		
<i>Liability</i>	1,000,000	none
<i>Comprehensive</i>	<i>actual cash value</i>	none
<i>Collision</i>	<i>actual cash value</i>	none
<i>Uninsured motorist</i>	250,000	none
<i>Under insured motorist</i>	250,000	none
<i>Premises pollution liability</i>	5,000,000	250,000

There were no significant reductions in coverage from prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

Tri-Cities pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

*Tri-Cities North Regional Wastewater Authority*  
*Montgomery County, Ohio*  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013

**Note 8 – Ohio Public Employees Retirement System Defined Benefit Pension Plan**

Tri-Cities 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 the value of the member and (vested) employer contributions, plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan 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.

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

For the year ended December 31, 2013 Tri-Cities employees elected the traditional plan and were required to contribute 10% of its annual covered salary. Tri-Cities contribution rate for pension benefits for 2013 was 13%. Tri-Cities contribution rate for pension benefits for 2012 was 10%. The Ohio Revised Code provides statutory authority for member and employer contributions.

Tri-Cities required contributions for pension obligations to the traditional plan for the years ended December 31, 2013, 2012, and 2011 were \$13,065, \$10,079, and \$10,577, respectively; 96.75% has been contributed for 2013 and 100% for 2012 and 2011.

**Note 9 – Postemployment Benefits**

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

OPERS maintains a cost-sharing multiple employer defined benefit 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.



*Tri-Cities North Regional Wastewater Authority*

*Montgomery County, Ohio*

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

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 an Other Postemployment Benefit (OPED) as described in GASB Statement 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 visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 227 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Tri-Cities required contributions for health care for the years ended December 31, 2013, 2012, and 2011 were \$933, \$2,880, and \$3,022, respectively; 96.75% has been contributed for 2013 and 100% for 2012 and 2011.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. The 2013 local government employer contribution rate was 14% of covered payroll; 1% of covered payroll was the portion that was used to fund health care for members in the traditional plan. The 2012 local government employer contribution rate was 14% of covered payroll; 4% of covered payroll was the portion that was used to fund health care.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement board on September 9, 2004 was effective January 1, 2007. Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation and approved health care changes, OPERS expects to be able to consistently allocate 4% of the employers contributions toward the health care fund after the end of the transition period.

**Note 10 – Other Employee Benefits**

A. Deferred Compensation Plan

Tri-Cities employee participates in the Ohio Public Employees Deferred Compensation Plan. This plan is created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

B. Insurance Benefits

Tri-Cities employees have term life insurance through an independent third party.

**Tri-Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013

C. Compensated Absences

*Accumulated Unpaid Vacation*

Tri-Cities employees earns vacation leave based on length of service and may accrue a maximum of 45 days. In the event of a termination of employment, death or retirement, the employee (or the estate) would be paid for unused vacation leave. The total obligation for vacation accrual for Tri-Cities amounted to \$1,839 at December 31, 2013.

*Accumulated Unpaid Sick Leave*

Tri-Cities employees earns sick leave at the rate of 4.616 hours per eighty hours of service. A maximum of 1,250 hours may be carried from one year to the next. Any hours over 1,250 accrued and not taken will be paid on a one for three basis at the end of the year. In the case of death or retirement, the employee (or the estate) would be paid for one half of the accumulated leave with 625 hours being the maximum amount paid. Tri-Cities paid out all sick leave balances in a prior year leaving no hours to be accrued at year end.

**Note 11 – Operating Leases**

During 2008, Tri-Cities renewed an existing operating lease with Bowman and Landes Turkeys, Inc. for the use of 675 acres of land. During 2012, the lease was renewed for an additional five year period. Future rental income is based on the type and amount of crop harvested net of related expenses. During 2013, Tri-Cities received \$210,287 in revenues from the lease agreement.

During 2008, Tri-Cities entered into a new operating lease with the Miami Conservancy District for the use of 235 acres of land. The lease is set to expire during 2027 at which time it may be renewed for a twenty year period. During 2013, Tri-Cities paid \$17,625 for the use of this land.

<u>Year</u>	<u>Lease Amount</u>
2014	\$ 17,625
2015	17,625
2016	17,625
2017	17,625
2018	17,625
2019-2023	88,125
2024-2027	<u>70,500</u>
	<u>\$ 246,750</u>

***Tri-Cities North Regional Wastewater Authority***

***Montgomery County, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

**Note 12 – Contingencies**

In September 2008, the Ohio Environmental Protection Agency (the "Ohio EPA") informed Tri-Cities that its upcoming National Pollutant Discharge Elimination System (NPDES) wastewater permit renewal would include new reporting requirements intended to assist the EPA in enforcing the prohibition against all sewer system overflows (SSO) occurring anywhere in the collection systems, and that Tri-Cities would be expected to negotiate administrative findings and orders with the Director of Ohio EPA in 2009 that would impose a schedule to eliminate all remaining overflow points in the collection systems. Tri-Cities objected to the conditions and met in January 2009 with representatives of the Ohio EPA. Following the meeting, Tri-Cities sent information to the Ohio EPA to correct what they believe to be a misunderstanding about the number of remaining overflow points; and to ask the Ohio EPA to reconsider its position.

In March 2009, the U.S. Environmental Protection Agency (the "U.S. EPA") announced their intention to conduct a Compliance Enforcement Inspection of Tri-Cities treatment plant and interceptor sewer lines, and sewer lines of the member cities. In July of 2009, Tri-Cities did receive a new NPDES permit which includes new reporting requirements for SSO's as anticipated. The U.S. EPA did conduct a Compliance Enforcement Inspection in 2009 as intended and subsequently issued a Unilateral Administrative Order (UAO) against Tri-Cities on April 21, 2010. The Administrative Order included Findings against Tri-Cities for NPDES violations for SSO's and an Order for Compliance with the NPDES permit and the Clean Water Act. The UAOs will terminate upon compliance with the terms therein, and upon a demonstration that no SSOs have occurred for at least two consecutive years. The UAOs do not impose a fine for past SSOs, but reserve the right to seek such fine. Tri-Cities and its members requested certain modifications to the language of the UAOs addressing the schedule for elimination of remaining collection system overflows, and procedures to terminate the UAOs once the remaining overflows are eliminated. They also requested that the separate UAOs issued to Tri-Cities and its members be rescinded and replaced by a joint UAO that applies to all four parties. The U.S. EPA agreed to the modifications in principle and issued a draft consolidated UAO for all four parties to review and comment on in late summer 2012. Tri-Cities and the members subsequently filed comments with the U.S. EPA and requested additional clarification regarding the conditions that must be met to terminate the joint UAO once the remaining overflows have been eliminated. Tri-Cities and its members continued to work with USEPA during 2013 to clarify these conditions and are currently waiting on a written response from the agency to their comments with the intent of revising the UAO accordingly.

**Supplementary Information**

**Tri-Cities North Regional Wastewater Authority**  
**Schedule of Revenues, Expenses and Changes**  
**In Fund Equity - Budget (Non-GAAP Basis) and Actual**  
**For the Year Ended December 31, 2013**

	Budgeted Amounts			Variance with Final budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Charges for services	\$ 3,276,294	\$ 3,268,294	\$ 3,117,637	\$ (150,657)
Investment income	25,000	25,000	29,406	4,406
Rentals	132,800	218,087	218,087	-
Other	1,000	131,014	130,688	(326)
Total revenue	<u>3,435,094</u>	<u>3,642,395</u>	<u>3,495,818</u>	<u>(146,577)</u>
<b>Expenses:</b>				
<b>Current:</b>				
Personal services	111,352	111,352	111,279	73
Contractual services	2,128,040	2,508,203	2,305,146	203,057
Supplies and materials	3,500	4,859	3,449	1,410
Other	31,000	62,701	40,986	21,715
Capital outlay	458,396	4,138,118	3,869,082	269,036
<b>Debt service:</b>				
Principal retirement	767,249	784,749	784,749	-
Interest and fiscal charges	92,994	92,994	92,994	-
Total expenses	<u>3,592,531</u>	<u>7,702,976</u>	<u>7,207,685</u>	<u>495,291</u>
Excess of revenues over (under) expenses	<u>(157,437)</u>	<u>(4,060,581)</u>	<u>(3,711,867)</u>	<u>348,714</u>
<b>Other financing sources:</b>				
Proceeds of OWDA loans	-	1,909,849	1,909,849	-
Net change in fund equity	(157,437)	(2,150,732)	(1,802,018)	348,714
Fund equity at beginning of year	4,719,534	4,719,534	4,719,534	-
Prior year encumbrances appropriated	1,357,737	1,357,737	1,357,737	-
Fund equity at end of year	<u>\$ 5,919,834</u>	<u>\$ 3,926,539</u>	<u>\$ 4,275,253</u>	<u>\$ 348,714</u>

The following table summarizes the adjustments necessary to reconcile the change in fund net position to excess of expenses over revenues.

Change in net position	\$ (258,072)
Net adjustment for revenue accruals	(135,548)
Net adjustment for expense accruals	(148,895)
Increase in fair value of investments for 2012	20,138
Decrease in fair value of investments for 2013	14,966
OWDA proceeds of loan	1,960,960
Capital outlay	(2,898,250)
Depreciation	1,014,651
Principal payments	(784,749)
Encumbrances	(587,219)
Excess of expenses over revenues	<u>\$ (1,802,018)</u>

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## STATISTICAL SECTION





## Statistical Section

This part of Tri-Cities Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Tri-Cities overall financial health.

<b><u>Contents</u></b>	<b><u>Page(s)</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how Tri-Cities financial position has changed over time.	<b>S2 - S6</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader understand and assess the factors affecting Tri-Cities ability to generate its most significant local revenue source(s).	<b>S7 - S9</b>
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of Tri-Cities current levels of outstanding debt and Tri-Cities ability to issue additional debt in the future.	<b>S10 - S11</b>
<b>Economic and Demographic Information</b> This schedule offers economic and demographic indicators to help the reader understand the environment within which Tri-Cities financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	<b>S12 - S13</b>
<b>Operating Information</b> This schedule contains service and infrastructure data to help the reader understand how the information in Tri-Cities financial report relates to the services Tri-Cities provides and the activities it performs.	<b>S14 - S15</b>

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**Tri-Cities North Regional Wastewater Authority**

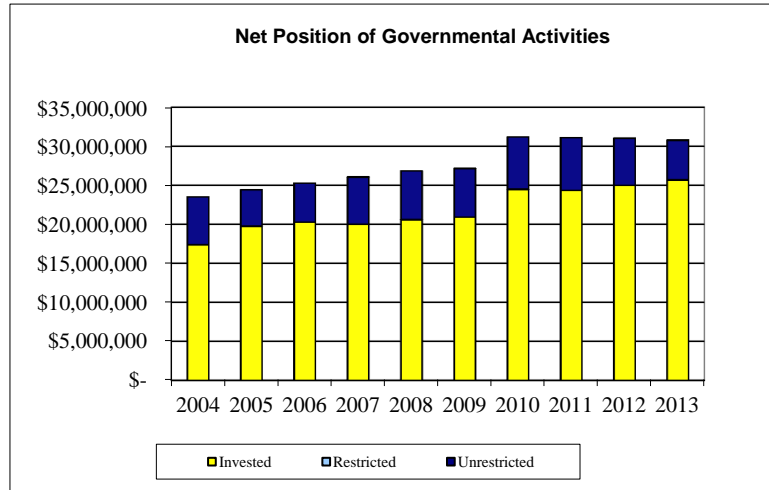
**Net Position by Component**

**Last Ten Years (1)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Primary government:</b>										
Net investment in capital assets	\$ 17,372,832	\$ 19,757,295	\$ 20,261,428	\$ 20,015,547	\$ 20,589,469	\$ 20,938,039	\$ 24,492,889	\$ 24,350,330	\$ 24,984,376	\$ 25,691,764
Unrestricted	6,132,499	4,661,674	5,024,856	6,040,268	6,253,564	6,222,457	6,700,741	6,764,285	6,062,274	5,096,814
Total primary government net position	<u>\$ 23,505,331</u>	<u>\$ 24,418,969</u>	<u>\$ 25,286,284</u>	<u>\$ 26,055,815</u>	<u>\$ 26,843,033</u>	<u>\$ 27,160,496</u>	<u>\$ 31,193,630</u>	<u>\$ 31,114,615</u>	<u>\$ 31,046,650</u>	<u>\$ 30,788,578</u>

(1) Accrual basis of accounting.

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***Tri-Cities North Regional Wastewater Authority***

**Changes in Fund Net Position**

**Last Ten Years (1)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Operating expenses	\$ 2,392,457	\$ 2,392,720	\$ 2,549,797	\$ 3,018,477	\$ 2,812,790	\$ 2,981,419	\$ 2,933,131	\$ 3,579,473	\$ 3,374,255	\$ 3,710,229
Operating revenues	<u>3,346,293</u>	<u>3,365,570</u>	<u>3,360,790</u>	<u>3,398,780</u>	<u>3,477,410</u>	<u>3,408,349</u>	<u>3,416,561</u>	<u>3,462,877</u>	<u>3,406,037</u>	<u>3,602,288</u>
Operating income (loss)	<u>953,836</u>	<u>972,850</u>	<u>810,993</u>	<u>380,303</u>	<u>664,620</u>	<u>426,930</u>	<u>483,430</u>	<u>(116,596)</u>	<u>31,782</u>	<u>(107,941)</u>
Nonoperating revenues (expenses)	<u>(283,370)</u>	<u>(59,212)</u>	<u>56,322</u>	<u>64,228</u>	<u>122,598</u>	<u>(109,467)</u>	<u>86,195</u>	<u>(37,910)</u>	<u>(99,747)</u>	<u>(150,131)</u>
Other revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>325,000</u>	<u>-</u>	<u>-</u>	<u>3,463,509</u>	<u>75,491</u>	<u>-</u>	<u>-</u>
Change in fund net position	<u>\$ 670,466</u>	<u>\$ 913,638</u>	<u>\$ 867,315</u>	<u>\$ 769,531</u>	<u>\$ 787,218</u>	<u>\$ 317,463</u>	<u>\$ 4,033,134</u>	<u>\$ (79,015)</u>	<u>\$ (67,965)</u>	<u>\$ (258,072)</u>

(1) Accrual basis of accounting.

***Tri-Cities North Regional Wastewater Authority***

**Operating Revenues by Source**

**Last Ten Years (1)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Operating revenues</b>										
Charges for services	\$ 3,297,670	\$ 3,301,968	\$ 3,304,227	\$ 3,291,089	\$ 3,274,633	\$ 3,263,720	\$ 3,264,721	\$ 3,285,529	\$ 3,257,131	\$ 3,265,055
Rentals	43,135	56,295	55,222	107,366	159,079	137,331	151,606	166,494	133,576	218,087
Other operating revenues	5,488	7,307	1,341	325	43,698	7,298	234	10,854	15,330	119,146
Total operating revenues	<u>\$ 3,346,293</u>	<u>\$ 3,365,570</u>	<u>\$ 3,360,790</u>	<u>\$ 3,398,780</u>	<u>\$ 3,477,410</u>	<u>\$ 3,408,349</u>	<u>\$ 3,416,561</u>	<u>\$ 3,462,877</u>	<u>\$ 3,406,037</u>	<u>\$ 3,602,288</u>

(1) Accrual basis of accounting.

***Tri-Cities North Regional Wastewater Authority***

**Operating Expenses**

**Last Ten Years (1)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Expenses</b>										
Personal services	\$ 88,661	\$ 93,860	\$ 102,731	\$ 107,321	\$ 118,779	\$ 113,089	\$ 123,222	\$ 117,140	\$ 112,047	\$ 111,806
Contractual services	1,448,016	1,449,202	1,548,812	1,883,589	1,659,182	1,833,547	1,755,635	2,027,944	2,202,750	2,544,823
Materials and supplies	4,526	4,098	36,432	49,923	4,015	3,917	3,782	5,244	2,595	2,449
Other operating expenses	33,298	11,501	7,914	19,939	53,963	43,990	33,787	379,212	46,988	36,500
Depreciation	817,956	834,059	853,908	957,705	976,851	986,876	1,016,705	1,049,933	1,009,875	1,014,651
Total operating expenses	<u>\$ 2,392,457</u>	<u>\$ 2,392,720</u>	<u>\$ 2,549,797</u>	<u>\$ 3,018,477</u>	<u>\$ 2,812,790</u>	<u>\$ 2,981,419</u>	<u>\$ 2,933,131</u>	<u>\$ 3,579,473</u>	<u>\$ 3,374,255</u>	<u>\$ 3,710,229</u>

(1) Accrual basis of accounting.

**Tri-Cities North Regional Wastewater Authority**  
**Nonoperating Revenues and Expenses/Other Revenues and Expenses**  
**Last Ten Years (1)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Nonoperating revenues (expenses)</b>										
Interest income	\$ 94,337	\$ 122,547	\$ 225,559	\$ 268,326	\$ 209,700	\$ 71,519	\$ 47,191	\$ 84,974	\$ 41,741	\$ 29,078
Contributions	-	-	-	-	-	-	202,000	-	-	-
Decrease in fair value of investments	-	-	-	-	-	-	-	-	-	(35,104)
Interest and fiscal charges	(189,207)	(158,243)	(105,674)	(204,098)	(183,714)	(169,734)	(152,261)	(122,884)	(141,488)	(144,105)
Claims and judgments	(188,500)	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of capital assets	-	(23,516)	(63,563)	-	96,612	(11,252)	(10,735)	-	-	-
Total nonoperating revenues (expenses)	<u>\$ (283,370)</u>	<u>\$ (59,212)</u>	<u>\$ 56,322</u>	<u>\$ 64,228</u>	<u>\$ 122,598</u>	<u>\$ (109,467)</u>	<u>\$ 86,195</u>	<u>\$ (37,910)</u>	<u>\$ (99,747)</u>	<u>\$ (150,131)</u>
<b>Other revenues (expenses)</b>										
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,463,509	\$ 75,491	\$ -	\$ -
Special item	-	-	-	325,000	-	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 325,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,463,509</u>	<u>\$ 75,491</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Accrual basis of accounting.

***Tri-Cities North Regional Wastewater Authority***

**Three Largest Customers**

**Last Ten Years**

<u>Year</u>	<u>City of Vandalia</u>	<u>City of Huber Heights</u>	<u>City of Tipp City</u>	<u>Total charges for services for largest customers</u>
2004	\$ 902,148	\$ 1,726,914	\$ 592,040	\$ 3,221,102
2005	890,996	1,749,299	610,360	3,250,655
2006	892,437	1,744,182	615,038	3,251,657
2007	939,720	1,649,226	638,341	3,227,287
2008	912,130	1,671,027	661,004	3,244,161
2009	897,612	1,700,948	663,083	3,261,643
2010	894,567	1,699,998	666,959	3,261,524
2011	877,851	1,757,480	647,198	3,282,529
2012	875,200	1,763,248	616,686	3,255,134
2013	892,921	1,693,089	676,973	3,262,983

**Source:** Tri-Cities financial records.

***Tri-Cities North Regional Wastewater Authority***

**Wastewater Treated**

**Last Ten Years**

<u>Year</u>	<u>Gallons of Wastewater Treated</u>	<u>Total Direct Sewer Rates (1)</u>
2004	3,230	\$ 1.01
2005	3,422	1.07
2006	3,507	1.09
2007	2,748	1.19
2008	2,901	0.91
2009	2,852	1.14
2010	2,852	1.14
2011	3,890	0.82
2012	3,141	1.02
2013	3,540	0.91

**Source:** Tri-Cities financial records.

(1) per 1,000 gallons.



***Tri-Cities North Regional Wastewater Authority***  
**Schedule of Participating Cities' Equity Interest**  
**Last Ten Years**

<u>Year</u>	<u>City of Vandalia</u>	<u>City of Huber Heights</u>	<u>City of Tipp City</u>	<u>Total</u>
2004	27.55%	52.96%	19.49%	100.00%
2005	27.22	53.45	19.33	100.00
2006	27.20	53.90	18.90	100.00
2007	29.12	51.10	19.78	100.00
2008	28.12	51.50	20.38	100.00
2009	27.52	52.15	20.33	100.00
2010	27.43	52.12	20.45	100.00
2011	26.74	53.54	19.72	100.00
2012	26.88	54.14	18.98	100.00
2013	27.37	51.88	20.75	100.00

**Source:** Tri-Cities financial records.

**Tri-Cities North Regional Wastewater Authority**

**Ratio of Outstanding Debt By Type**

**Last Ten Years**

<u>Year</u>	<u>OWDA Loans</u>	<u>Population (2)</u>	<u>Per Capita</u>	<u>Percentage of Personal Income (3)</u>
2004	\$ 7,747,118	62,510	\$ 123.93	0.54%
2005	8,852,970	62,510	141.62	0.62%
2006	8,520,354	62,510	136.30	0.59%
2007	8,493,573	62,510	135.88	0.59%
2008	8,504,483	62,510	136.05	0.59%
2009	7,781,353	62,510	124.48	0.54%
2010	7,038,959	63,036	111.67	0.41%
2011	6,462,449	63,036	102.52	0.37%
2012	5,778,706	63,036	91.67	0.33%
2013	6,954,917	63,036	110.33	0.40%

**Source:** Tri-Cities financial records.

(1) Details regarding the Tri-Cities outstanding debt can be found in Note 5 in the current financial statements.

(2) Population total of all member cities.

(3) Percentage of personal income of all member cities.

**Tri-Cities North Regional Wastewater Authority**

**Debt Service Coverage**

**Last Ten Years**

<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2004	\$ 3,346,293	\$ 1,574,501	\$ 1,771,792	\$ 1,377,841	\$ 241,283	\$ 1,619,124	\$ 1.09
2005	3,365,570	1,558,661	1,806,909	1,823,701	258,740	2,082,441	0.87
2006	3,360,790	1,695,889	1,664,901	335,851	105,674	441,525	3.77
2007	3,398,780	2,060,772	1,338,008	693,045	204,098	897,143	1.49
2008	3,477,410	1,835,939	1,641,471	698,913	183,714	882,627	1.86
2009	3,408,349	1,994,543	1,413,806	757,570	169,734	927,304	1.52
2010	3,416,561	1,916,426	1,500,135	775,043	152,261	927,304	1.62
2011	3,462,877	2,529,540	933,337	607,368	122,884	730,252	1.28
2012	3,406,037	2,364,380	1,041,657	712,894	141,488	854,382	1.22
2013	3,602,288	2,695,578	906,710	784,749	144,105	928,854	0.98

**Source:** Tri-Cities financial records.

(1) Gross revenues exclusive of interest income, gain (loss) on sale of capital assets and special items.

(2) Total operating expenses exclusive of depreciation.

**Tri-Cities North Regional Wastewater Authority**  
**Demographic and Economic Statistics of Participating Cities**  
**Last Ten Years**

Year					Montgomery	<u>City of Vandalia</u>		<u>City of Huber Heights</u>		<u>City of Tipp City</u>	
	City of Vandalia	City of Huber Heights	City of Tipp City	Total Population	County Unemployment Rate (2)	Total Personal Income (3)	Personal Income Per Capita (1)	Total Personal Income (3)	Personal Income Per Capita (1)	Total Personal Income (3)	Personal Income Per Capita (4)
2004	14,603	38,686	9,221	62,510	5.8%	\$ 353,377,997	\$ 24,199	\$ 800,579,612	\$ 20,951	\$ 280,419,831	\$ 30,411
2005	14,603	38,686	9,221	62,510	5.5%	353,377,997	24,199	800,579,612	20,951	282,577,545	30,645
2006	14,603	38,686	9,221	62,510	5.9%	353,377,997	24,199	800,579,612	20,951	282,577,545	30,645
2007	14,603	38,686	9,221	62,510	6.2%	353,377,997	24,199	800,579,612	20,951	282,577,545	30,645
2008	14,603	38,686	9,221	62,510	8.5%	353,377,997	24,199	800,579,612	20,951	282,577,545	30,645
2009	14,603	38,686	9,221	62,510	13.3%	353,377,997	24,199	800,579,612	20,951	282,577,545	30,645
2010	15,246	38,101	9,689	63,036	10.1%	415,514,484	27,254	983,882,123	25,823	334,222,055	34,495
2011	15,246	38,101	9,689	63,036	8.5%	415,514,484	27,254	983,882,123	25,823	334,222,055	34,495
2012	15,246	38,101	9,689	63,036	7.0%	415,514,484	27,254	983,882,123	25,823	334,222,055	34,495
2013	15,246	38,101	9,689	63,036	7.0%	415,514,484	27,254	983,882,123	25,823	334,222,055	34,495

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**Sources:** (1) U.S. Bureau of Census, Census of Population.  
(2) U.S. Department of Labor.  
(3) Computation of per capita personal income multiplied by population  
(4) Personal income is a calculation based on the County's Per Capita Income, which is the only information available for this City.

# Tri-Cities North Regional Wastewater Authority

## Principal Employers of Tri-Cities Participating Cities

As of December 31, 2006 and 2013 (1)

Participating city:	2013			2006		
	Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
<u>Vandalia</u>						
CBS Personnel Services	1,062	1	8.62%	-	-	0.00%
GE Aviation Systems	555	2	4.50%	320	4	3.67%
Vandalia-Butler City Schools	551	3	4.47%	402	3	4.61%
City of Vandalia	521	4	4.23%	522	2	5.99%
Delphi Automotive Systems	500	5	4.06%	550	1	6.31%
SAIA Burgess, Inc.	362	6	2.94%	304	5	3.49%
Kroger Limited Partnership	294	7	2.39%	-	-	0.00%
IMDS Holdings Corp (formerly Leis Medical)	243	8	1.97%	202	8	2.32%
Aptalis Pharmatech, Inc.	232	9	1.88%	-	-	0.00%
Beau Townsend Ford/Nissan	205	10	1.66%	175	9	2.01%
P&G Pet Care (formerly Iams)	-	-	0.00%	234	7	2.69%
Evenflo Corporation	-	-	0.00%	163	10	1.87%
Lion Apparel, Inc.	-	-	0.00%	285	6	3.27%
Total for the City of Vandalia	<u>4,525</u>		<u>32.05%</u>	<u>3,157</u>		<u>36.23%</u>
<u>Huber Heights</u>						
Huber Heights City Schools	810	1	6.57%	567	2	6.51%
ABF Freight Systems	670	2	5.44%	825	1	9.47%
Trimble Navigation	402	3	3.26%	430	3	4.93%
Walmart Stores Incorporated	342	4	2.77%	243	5	2.79%
Fed Ex Freight	324	5	2.63%	324	4	3.72%
Montgomery Development	214	6	1.74%	-	-	0.00%
Lowe's Home Improvement	204	7	1.65%	150	9	1.72%
Spring Creek Nursing Center	180	8	1.46%	-	-	0.00%
Kroger	174	9	1.41%	130	10	1.49%
Huber Health Center	165	10	1.34%	-	-	0.00%
Coca Cola Enterprises, Inc.	-	-	0.00%	210	6	2.41%
City of Huber Heights	-	-	0.00%	185	7	2.12%
Bowser Mornor	-	-	0.00%	160	8	1.84%
Total for the City of Huber Heights	<u>3,485</u>		<u>36.47%</u>	<u>3,224</u>		<u>37.00%</u>
<u>Tipp City</u>						
Meijer, Inc.	1,460	1	11.84%	800	1	9.18%
Rostam Direct (formerly Gardens Alive-Springhill)	467	2	3.79%	100	9	1.15%
Tipp City Exempted Village School District	455	3	3.69%	290	3	3.33%
CBS Personnel Services	320	4	2.60%	-	-	0.00%
Associate Staffing	302	5	2.45%	-	-	0.00%
Menards	285	6	2.31%	-	-	0.00%
Regal Beloit (formerly AO Smith Corporation)	272	7	2.21%	330	2	3.79%
Adcare Health Systems (formerly Springmeade)	271	8	2.20%	-	-	0.00%
Arbogast	247	9	2.00%	120	6	1.38%
FHI LLC	238	10	1.93%	-	-	0.00%
Creative Extruded Products	-	-	0.00%	245	4	2.81%
Springmeade Health Center	-	-	0.00%	147	5	1.69%
DAP Products, Inc.	-	-	0.00%	110	7	1.26%
Tipp Machine and Tool	-	-	0.00%	103	8	1.18%
Allen Foods	-	-	0.00%	88	10	1.01%
Total for the City of Tipp City	<u>4,317</u>		<u>35.02%</u>	<u>2,333</u>		<u>26.78%</u>
Grand total all three participating cities	12,327			8,714		

Source: Participating cities financial records.

(1) Current year and nine years ago will be reported as information becomes available.

***Tri-Cities North Regional Wastewater Authority***  
**Operating and Capital Indicators**  
**Last Ten Years**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b><u>Wastewater treatment</u></b>										
Miles of sewers	10	10	10	10	10	10	10	10	10	10
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Treatment capacity (MGD)	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2
Annual engineering maximum plant capacity (millions of gallons)	4,088	4,088	4,088	4,088	4,088	4,088	4,088	4,088	4,088	4,088
Amount treated annually (millions of gallons)	3,230	3,422	3,507	2,748	2,901	2,852	2,852	3,890	3,141	3,540
Unused capacity (millions of gallons)	858	666	581	1,340	1,187	1,236	1,236	198	947	548
Percentage of capacity utilized	79%	84%	86%	67%	71%	70%	70%	95%	77%	87%

Notes: MGD = millions of gallons per day.

***Tri-Cities North Regional Wastewater Authority***

**Miscellaneous Statistics**

**December 31, 2013**

General Information:

Year of Incorporation                    1996

Form of Government                    Joint Venture

Miscellaneous Statistics:

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Number of Full Time Employees	1	1	1	1	1	1	1	1	1	1
Number of Part Time Employees	0	0	1	1	1	1	1	1	1	1
Miles of Sewer Line	10	10	10	10	10	10	10	10	10	10
Number of Manholes	112	112	112	112	112	112	112	112	112	112
Number of Siphons	1	1	1	1	1	1	1	1	1	1
Number of Pump Stations	1	1	1	1	1	1	1	1	1	1
Number of Booster Stations	1	1	1	1	1	1	1	1	1	1

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# Dave Yost • Auditor of State

**TRI-CITIES WASTEWATER AUTHORITY**

**MONTGOMERY 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  
JUNE 3, 2014**