

NORTHERN AREA WATER AUTHORITY
MIAMI COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED
DECEMBER 31, 2023

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



65 East State Street
Columbus, Ohio 43215
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800-282-0370

Board of Directors
Northern Area Water Authority
333 James E. Bohanan Memorial Drive
Vandalia, Ohio 45377

We have reviewed the *Independent Auditor's Report* of Northern Area Water Authority, Miami County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2023 through December 31, 2023. 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. Northern Area Water Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

May 23, 2024

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**NORTHERN AREA WATER AUTHORITY
MIAMI COUNTY
FOR THE YEAR ENDED DECEMEBR 31, 2023**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis	4
Basic Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows	11
Notes to the Basic Financial Statements	12
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	22

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northern Area Water Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Northern Area Water Authority (the Authority) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2023, and the 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis to be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2024, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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.

Plattensburg & Associates, Inc.

Plattensburg & Associates, Inc.
Cincinnati, Ohio
May 7, 2024

The discussion and analysis for the Northern Area Water Authority's (NAWA) financial performance provides an overall review of NAWA for the year ended December 31, 2023. The intent of this discussion and analysis is to look at NAWA's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of NAWA's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2023 are as follows:

- In total, net position increased \$413,971 from 2022.
- Total assets decreased \$418,207, which represents a 2.06% decrease from 2022. This decrease is due mainly to a decrease in construction in progress and equity in pooled cash and cash equivalents from the prior year.
- Total liabilities decreased by \$832,178, which represents a 5.11% decrease from 2022. This decrease is primarily due to a decrease in long term debt due for principal payments made during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of management's discussion and analysis, basic financial statements and notes to the basic financial statements.

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 NAWA 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 2023?" 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 NAWA's net position, however, in evaluating the overall position of NAWA, non-financial information such as changes in the condition of NAWA's capital assets will also need to be evaluated.

Northern Area Water Authority
 Miami County, Ohio
 Management's Discussion and Analysis
 For the year ended December 31, 2023
 (Unaudited)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS

A comparative analysis of 2023 and 2022 are presented below:

	<u>2023</u>	<u>2022</u>	Increase (Decrease)
Current and other assets	\$ 2,037,882	\$ 2,186,596	\$ (148,714)
Capital assets, net	<u>17,891,102</u>	<u>18,160,595</u>	<u>(269,493)</u>
Total assets	<u>19,928,984</u>	<u>20,347,191</u>	<u>(418,207)</u>
Current liabilities	1,238,899	1,243,122	(4,223)
Long-term loans outstanding	<u>14,225,725</u>	<u>15,053,680</u>	<u>(827,955)</u>
Total liabilities	<u>15,464,624</u>	<u>16,296,802</u>	<u>(832,178)</u>
Net position:			
Net investment in capital asset:	2,837,422	2,310,867	526,555
Unrestricted	<u>1,626,938</u>	<u>1,739,522</u>	<u>(112,584)</u>
Total net position	<u>\$ 4,464,360</u>	<u>\$ 4,050,389</u>	<u>\$ 413,971</u>

NAWA experienced an increase of \$413,971 in net position during 2023.

At December 31, 2023, NAWA experienced an increase of \$526,555 in the net investment in capital assets due to current year principal payments reducing the long term debt.

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Northern Area Water Authority
 Miami County, Ohio
 Management's Discussion and Analysis
 For the year ended December 31, 2023
 (Unaudited)

Changes in Net Position

The following table shows the changes in net position for the fiscal years 2023 and 2022:

	<u>2023</u>	<u>2022</u>	Increase (Decrease)
Revenues:			
Operating revenues			
Charges for services	\$ 3,308,503	\$ 3,305,643	\$ 2,860
Other	196	189	7
Nonoperating revenues			
Investment income	<u>39,529</u>	<u>11,141</u>	<u>28,388</u>
Total revenues	<u>3,348,228</u>	<u>3,316,973</u>	<u>31,255</u>
Expenses:			
Operating expenses			
Contractual services	1,385,076	1,226,594	158,482
Supplies and materials	301,603	373,801	(72,198)
Depreciation	641,358	637,034	4,324
Nonoperating expenses			
Interest and fiscal charges	606,220	637,507	(31,287)
Loss on disposal of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>2,934,257</u>	<u>2,874,936</u>	<u>59,321</u>
Change in net position	413,971	442,037	(28,066)
Beginning net position	<u>4,050,389</u>	<u>3,608,352</u>	<u>442,037</u>
Ending net position	<u>\$ 4,464,360</u>	<u>\$ 4,050,389</u>	<u>\$ 413,971</u>

Total revenues increased \$31,255 mainly due to an increase in current year investment income. Total expenses increased \$59,321 from 2023 to 2022. The primary reason for this increase was due to an increase in contractual services.

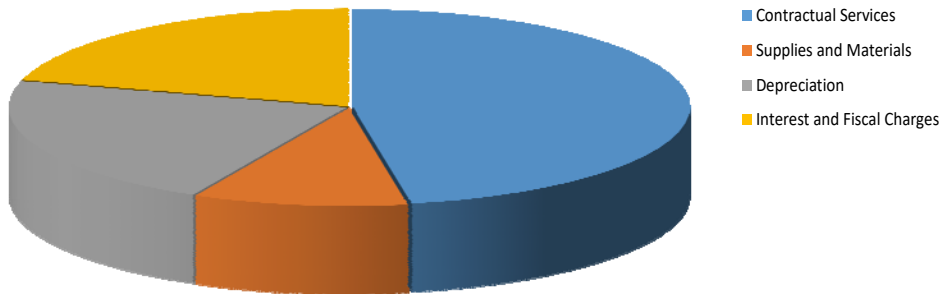
NAWA's only activity is business-type activity, which is the operation of the water treatment plant. The water treatment plant provides water treatment services to both the City of Vandalia and the City of Tipp City. NAWA charges each member city for water treatment services provided to the cities' residents in accordance with the joint venture agreement. Such charges are allocated based upon each city's monthly usage and are adjusted each month accordingly. During 2023, the plant generated revenues from charges for services in excess of \$3.3 million and had total expenses of approximately \$2.9 million. The interest and fiscal charges expense of \$606,220 for 2023 resulted from outstanding loans with the Ohio Water Development Authority (OWDA) and interest on the reimbursement agreement for bonded debt with the City of Tipp City.

Northern Area Water Authority
 Miami County, Ohio
 Management's Discussion and Analysis
 For the year ended December 31, 2023
 (Unaudited)

Contractual services make up 47.20% of NAWA's expenses. NAWA's facilities are operated and maintained for NAWA by the City of Tipp City. These expenses are recorded as contractual services.

Expenses for 2023

	<u>Percentage</u>
Contractual Services	47.20%
Supplies and Materials	10.28%
Depreciation	21.86%
Interest and Fiscal Charges	20.66%
Total	<u>100.00%</u>



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, NAWA had \$17,891,102 invested in capital assets. The following table shows 2023 and 2022 balances:

Capital Assets, at Year End
 (Net of Depreciation)

	<u>2023</u>	<u>2022</u>
Construction in progress	\$ 894,198	\$ 1,279,584
Infrastructure	4,081,138	3,667,033
Buildings and improvements	12,659,951	12,890,848
Machinery and equipment	241,110	303,781
Vehicles	14,705	19,349
Total capital assets	<u>\$ 17,891,102</u>	<u>\$ 18,160,595</u>

Additional information on NAWA's capital assets can be found in Note 4.

Northern Area Water Authority
 Miami County, Ohio
 Management's Discussion and Analysis
 For the year ended December 31, 2023
 (Unaudited)

Debt

At December 31, 2023, NAWA had \$15,053,680 in Ohio Water Development Authority (OWDA) loans outstanding. The OWDA outstanding loans are for the construction of the water treatment plant facilities and a degasifier project while the reimbursement for bonded debt agreement is to reimburse Tipp City for the actual costs incurred in acquiring and installing the on-site back-up generator on behalf of NAWA. The following table summarizes NAWA's debt outstanding at December 31, 2023 and December 31, 2022:

	<u>2023</u>	<u>2022</u>	Increase <u>(Decrease)</u>
OWDA loans payable	\$ 15,053,680	\$ 15,849,728	\$ (796,048)

Additional information on NAWA's long-term debt can be found in Note 5.

REQUEST FOR INFORMATION

This financial report is designed to provide the citizens, taxpayers, and consumers of the cities of Tipp City and Vandalia, creditors and investors with a general overview of NAWA's finances and to show NAWA's accountability for the monies it receives. If you have questions about this report or need additional information contact the Finance Department by calling (937) 898-5891 or writing to City of Vandalia Finance Department, 333 James E. Bohanan Memorial Drive, Vandalia, OH 45377.

Northern Area Water Authority
 Miami County, Ohio
 Statement of Net Position
 December 31, 2023

Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,698,171
Receivables:	
Amounts Due from Related Parties	243,744
Prepaid Items	185
Materials and Supplies Inventory	95,782
	<hr/>
Total Current Assets	2,037,882
Non-Current Assets:	
Capital Assets:	
Construction in Progress	894,198
Depreciable Capital Assets, Net	16,996,904
	<hr/>
Total Non-Current Assets	17,891,102
	<hr/>
Total Assets	19,928,984
Liabilities:	
Accounts Payable	22,555
Amounts Due to Related Parties	89,267
Accrued Interest Payable	299,122
OWDA Loans Payable	827,955
	<hr/>
Total Current Liabilities	1,238,899
Long-Term Liabilities:	
OWDA Loans Payable, Net of Current Portion	14,225,725
	<hr/>
Total Long-Term Liabilities	14,225,725
	<hr/>
Total Liabilities	15,464,624
Net Position:	
Net Investment in Capital Assets	2,837,422
Unrestricted	1,626,938
	<hr/>
Total Net Position	\$4,464,360
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See accompanying notes to the financial statements.

Northern Area Water Authority
 Miami County, Ohio
 Statement of Revenues, Expenses and Changes in Net Position
 For the Year Ended December 31, 2023

Operating Revenues:	
Charges for Services	\$3,308,503
Other	196
Total Operating Revenues	<u>3,308,699</u>
Operating Expenses:	
Contractual Services	1,385,076
Supplies and Materials	301,603
Depreciation	641,358
Total Operating Expenses	<u>2,328,037</u>
Operating Income (Loss)	<u>980,662</u>
Non-Operating Revenues (Expenses):	
Interest	39,529
Interest and Fiscal Charges	(606,220)
Total Non-Operating Revenues (Expenses)	<u>(566,691)</u>
Change in Net Position	413,971
Net Position - Beginning of Year	<u>4,050,389</u>
Net Position - End of Year	<u><u>\$4,464,360</u></u>

See accompanying notes to the financial statements.

Northern Area Water Authority
Miami County, Ohio
Statement of Cash Flows
For the Year Ended December 31, 2023

Cash Flows from Operating Activities:	
Cash Received from Customers	\$3,328,833
Cash Received from Others	196
Cash Payments to Suppliers for Goods and Services	<u>(1,762,918)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,566,111</u>
Cash Flows from Capital and Related Financing Activities:	
Interest Paid on Debt	(622,018)
Principal Payment on Loans	(796,048)
Acquisition of Capital Assets	<u>(371,865)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,789,931)</u>
Cash Flows from Investing Activities:	
Investment Income	<u>39,529</u>
Net Cash Provided (Used) by Investing Activities	<u>39,529</u>
Net (Decrease) in Cash and Cash Equivalents	(184,291)
Cash and Cash Equivalents - Beginning of Year	<u>1,882,462</u>
Cash and Cash Equivalents - End of Year	<u><u>1,698,171</u></u>
Reconciliation of Operating (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating (Loss)	980,662
Adjustments:	
Depreciation	641,358
Changes in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Amounts Due from Related Parties	20,330
Materials and Supplies Inventory	(55,902)
Prepaid Items	(5)
Increase (Decrease) in Liabilities:	
Accounts Payable	(27,818)
Amounts Due to Related Parties	<u>7,486</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$1,566,111</u></u>

See accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE REPORTING ENTITY

A. Description of the Reporting Entity

The Northern Area Water Authority (NAWA) is a joint venture between the Cities of Tipp City and Vandalia, Ohio. NAWA oversees the design, construction and operation of the water treatment plant that is located in Tipp City and provides water treatment services to both communities. NAWA is governed by a five-member management board, which has complete authority over all aspects of the plant's operation. The City of Vandalia serves as the fiscal agent and NAWA is reported as a custodial fund of the City of Vandalia. The accompanying financial statements present only NAWA and are not intended to present the financial position of either City participating in the joint venture.

NAWA charges each member city for water treatment services provided to the cities' residents in accordance with the joint venture agreement dated March 1, 2002. Each participating City has an equal 50% equity allocation in NAWA but charges are allocated based upon each city's usage. The following is a schedule of the participating cities' contribution for services rendered at December.

	<u>2023</u>
Vandalia	42.98%
Tipp City	<u>57.02%</u>
	<u>100.00%</u>

The financial statements of the NAWA have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to proprietary funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the NAWA accounting policies are described below.

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 NAWA are not misleading. The stand-alone government consists of all departments, boards and agencies that are not legally separate from NAWA.

Component units are legally separate organizations for which NAWA is financially accountable. NAWA is financially accountable for an organization if NAWA 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 NAWA in that NAWA approves their budget, the issuance of their debt or the levying of their taxes. Based upon the application of these criteria, NAWA has no component units.

C. Basis of Presentation

NAWA's 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.

NAWA uses 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 NAWA are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in the total net position. The statement of cash flows provides information about how NAWA finances and meets the cash flow needs of its enterprise activity.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. NAWA 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. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits.

G. Inventory

Inventories are stated at the lower of cost or market. Inventories are expensed when used.

Inventory consists of expendable supplies held for consumption.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded, if applicable.

I. Capital Assets

Capital assets utilized by NAWA are reported on the statement of net position. All capital assets are capitalized at cost and updated for additions and retirements during the year. Contributed capital assets are recorded at their acquisition value as of the date received. NAWA maintains a capitalization policy of recording assets with an initial, individual threshold cost of more than \$1,000 and an estimated useful life of five or more years. 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.

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 will be computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Infrastructure	7 - 65 years
Buildings and improvements	10 - 50 years
Machinery and equipment	5 - 35 years
Vehicles	6 - 25 years

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 NAWA or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. NAWA applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. NAWA did not have any restricted net positions for 2023.

K. Operating and Nonoperating Revenues and Expenses

NAWA distinguishes operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are directly from the primary activity of NAWA. For NAWA, these revenues are charges for services for water treatment and distribution. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of NAWA. All revenues and expenses not meeting this definition are reported as non-operating.

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. NAWA did not have any capital contributions during 2023.

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.

N. Budgetary Process

An operating budget for NAWA is prepared and approved annually by the Board of Directors. Budgetary modifications may only be made by resolution of the Board.

NOTE 2 – DEPOSITS

Ohio Law requires the classification of funds held by NAWA into three categories:

Active funds are those funds required to be kept in “cash” or “near cash” status for immediate use by NAWA. Such funds must be maintained either as cash in the NAWA Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Inactive funds are those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Interim funds are those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Interim deposits in eligible institutions apply for interim funds;
5. Bonds and other obligations of the State of Ohio;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

NAWA has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with NAWA or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. If the institution participates in the Ohio Pooled Collateral System (OPCS), the total market value of the securities pledged can be one hundred two percent or lower if permitted by the Treasurer of State.

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, NAWA will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2023, the carrying amount of NAWA's deposits was \$1,698,170, and \$1,602,524 of NAWA's total bank balance of \$1,852,524 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of NAWA's financial institutions participates in the OPCS and was approved for a reduced collateral percentage resulting in the uninsured and uncollateralized balance.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable from related parties are monies due from the City of Vandalia and the City of Tipp City for their portion of water 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.

Northern Area Water Authority
Miami County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, were as follows:

<u>Business-type activities</u>	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 1,279,584	\$ 178,991	\$ (564,377)	\$ 894,198
Capital assets, being depreciated:				
Infrastructure	5,830,064	553,999	-	6,384,063
Buildings and improvements	19,492,537	203,252	-	19,695,789
Machinery and equipment	1,260,064	-	-	1,260,064
Vehicles	70,429	-	-	70,429
Total capital assets, being depreciated	<u>26,653,094</u>	<u>757,251</u>	<u>-</u>	<u>27,410,345</u>
Less accumulated depreciation:				
Infrastructure	(2,163,031)	(139,894)	-	(2,302,925)
Buildings and improvements	(6,601,689)	(434,149)	-	(7,035,838)
Machinery and equipment	(956,283)	(62,671)	-	(1,018,954)
Vehicles	(51,080)	(4,644)	-	(55,724)
Total accumulated depreciation	<u>(9,772,083)</u>	<u>(641,358)</u>	<u>-</u>	<u>(10,413,441)</u>
Total capital assets being depreciated, net	<u>16,881,011</u>	<u>115,893</u>	<u>-</u>	<u>16,996,904</u>
Business-type activities capital assets, net	<u>\$ 18,160,595</u>	<u>\$ 294,884</u>	<u>\$ (564,377)</u>	<u>\$ 17,891,102</u>

NOTE 5 – LONG-TERM OBLIGATIONS

Changes in long-term obligations payable during 2023 were as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>	Amount Due <u>in One Year</u>
<u>OWDA Loans from Direct Borrowing:</u>					
2005 OWDA Loan - 3.99%	\$ 15,455,121	\$ -	\$ (770,138)	\$ 14,684,983	\$ 801,173
2014 OWDA Loan - 3.34%	394,607	-	(25,910)	368,697	26,782
Total OWDA Loans from Direct Borrowing	<u>\$ 15,849,728</u>	<u>\$ -</u>	<u>\$ (796,048)</u>	<u>\$ 15,053,680</u>	<u>\$ 827,955</u>

The original loan amount approved for the water treatment plant was \$24,162,446. Principal and interest payments on the water treatment plant loan began January 1, 2008. The water treatment plant loan is a 30 year loan.

The 2014 loan carrying a 3.34% interest rate was issued for the degasifier project. This loan was finalized in 2017. Current operations are expected to provide cash flows for the repayment of this loan.

The annual debt service requirements for payment of principal and interest at December 31, 2023, are as follows:

<u>Year</u>	<u>OWDA loans</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 827,955	\$ 590,111
2025	861,143	556,923
2026	895,662	522,404
2027	931,566	486,500
2028	968,911	449,156
2029-2033	5,459,317	1,631,013
2034-2037	<u>5,109,126</u>	<u>465,951</u>
Total	<u>\$ 15,053,680</u>	<u>\$ 4,702,057</u>

NOTE 6 – RELATED PARTY TRANSACTIONS

NAWA was party to several transactions during 2023 involving the two member cities, which are summarized as follows:

A. Accounts Receivable

Accounts receivable as of December 31, 2023, includes the balance due from the member cities for water treatment services provided to the cities' residents. The amounts included in accounts receivable from member cities is as follows:

	<u>2023</u>
Vandalia	\$ 105,580
Tipp City	<u>138,164</u>
Total	<u>\$ 243,744</u>

B. Charges for Services

Charges for services for 2023 include the amounts charged to the member cities for water treatment services provided to the cities' residents. The amount included in charges for services from member cities is as follows:

	<u>2023</u>
Vandalia	\$ 1,422,128
Tipp City	<u>1,886,375</u>
Total	<u>\$ 3,308,503</u>

C. Contractual Services

Contractual services for services for 2023 include the amounts charged by the member cities for water treatment services provided to the cities' residents. The amount included in contractual services from member cities is as follows:

	<u>2023</u>
Vandalia	\$ 28,929
Tipp City	<u>980,064</u>
Total	<u>\$ 1,008,993</u>

D. Water Supply

During 2006, NAWA entered into an agreement with the City of Tipp City for the use the City's wellfield for water supply. The agreement will be in effect for a period coterminous with the joint venture agreement. Future payments are based on the gallons used during the year. During 2023, NAWA paid \$23,348 for the water supply and is being reported as part of contractual services.

NOTE 7 – RISK MANAGEMENT

NAWA 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. As of December 31, 2023, NAWA has acquired general liability insurance coverage, including directors and officers liability, in the amount of \$12,000,000 per occurrence, and property coverage in the amount of \$1,000,000,000 per occurrence with a deductible of \$2,500. NAWA's membership in the Miami Valley Risk Management Association is contingent on the continued membership of the joint venture participants the City of Tipp City and the City of Vandalia.

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.

NOTE 8 – IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

For fiscal year 2023, the NAWA implemented Governmental Accounting Standards Board (GASB) Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, GASB Statement No. 96, Subscription-Based Information Technology Arrangements.

GASB Statement No. 94 sets out to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the

right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of NAWA.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of NAWA.

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

To the Board of Directors
Northern Area Water Authority

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 Northern Area Water Authority (the Authority), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 7, 2024.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
May 7, 2024

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OHIO AUDITOR OF STATE KEITH FABER



NORTHERN AREA WATER AUTHORITY

MIAMI COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 6/4/2024

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov