

Scioto County Regional Water District #1

Scioto County

Regular Audit

January 1 , 2000 Through December 31, 2000

Fiscal Year Audited Under GAGAS: 2000

BALESTRA & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
528 SOUTH WEST STREET, P.O. BOX 687
PIKETON, OHIO 45661



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JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Scioto County Regional Water District Number One
362 Robert Lucas Rd.
P.O. Box 310
Lucasville, OH 45648

We have reviewed the independent auditor's report of the Scioto County Regional Water District Number One, prepared by Balestra & Company, for the audit period January 1, 2000 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Scioto County Regional Water District Number One is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

June 11, 2001

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SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE
SCIOTO COUNTY

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying general purpose financial statements of the Scioto Regional Water District Number One, Scioto County, as of and for the year ended December 31, 2000. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Scioto Regional Water District Number One, as of December 31, 2000, and the results of its operations and cash flows of its proprietary fund type for the year ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued our report dated April 20, 2001 on our consideration of the District's internal control over financial reporting and our test of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Balestra & Company
Balestra & Company

April 20, 2001

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE
SCIOTO COUNTY

BALANCE SHEET
AS OF DECEMBER 31, 2000

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 323,845
Accounts Receivable	677,015
Deposits	4,525
Prepaid Expenses	6,661
Inventories	<u>60,971</u>

Total Current Assets 1,073,017

Deferred Charges 48,732

Restricted Assets:

Cash and Cash Equivalents	283,001
Investments	<u>1,056,542</u>

Total Restricted Assets 1,339,543

Fixed Assets net of Accumulated Depreciation 5,573,392

Total Assets \$8,034,684

Liabilities and Fund Equity:

Current Liabilities:

Accounts Payable	\$ 113,267
Compensated Absences Payable	59,992
Employee's Withholdings Payable	3,251
Revenue Bonds Payable	138,014
Unset Water Taps Payable	15,550
Lease Purchase Agreement	7,009
Contracted Debt Payable	<u>156,937</u>

Total Current Liabilities 494,020

Noncurrent Liabilities:

OPWC Loan Payable	347,493
Revenue Bonds Payable	<u>3,445,000</u>

Total Noncurrent Liabilities 3,792,493

Total Liabilities 4,286,513

Fund Equity:

Contributed Capital - Customers	2,076,140
Retained Earnings - Unreserved	<u>1,672,031</u>

Total Fund Equity 3,748,171

Total Liabilities and Fund Equity \$8,034,684

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

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE
SCIOTO COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2000

Operating Revenues:	
Water Sales	\$2,548,373
Tap Fees	72,050
Lab Tests	2,964
Miscellaneous	<u>15,898</u>
Total Operating Revenues	2,639,285
Operating Expenses:	
Water Tap and New Line Installations	45,724
Supply and Treatment	728,231
Distribution	614,198
Administration and Billing	411,548
Board Expenses	23,560
Depreciation	<u>491,656</u>
Total Operating Expenses	<u>2,314,917</u>
Operating Income	324,368
Nonoperating Revenues (Expenses):	
Interest Income	82,022
Interest Expense	<u>(202,490)</u>
Total Nonoperating Revenues (Expenses)	<u>(120,468)</u>
Net Income	203,900
Retained Earnings, January 1, 2000 (Restated see Note 10)	<u>1,468,131</u>
Retained Earnings, December 31, 2000	<u><u>\$1,672,031</u></u>

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

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE
SCIOTO COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2000

Cash flows from operating activities:	
Cash received from customers	\$2,433,659
Cash paid to suppliers & employees for goods and services	<u>(1,706,532)</u>
Net cash provided by operating activities	727,127
Cash flows from capital financing activities:	
Proceeds from OPWC Loans	393,057
Payments for capital acquisitions	(777,337)
Principal payments on long term notes	(6,028)
Principal payments - bonds	(130,000)
Interest paid on revenue bonds	<u>(202,490)</u>
Net cash provided by capital financing activities	(722,798)
Cash flows from investing activities:	
Interest earned	<u>82,022</u>
Net increase/decrease in cash and cash equivalents	86,351
Cash and cash equivalents, January 1, 2000	<u>520,495</u>
Cash and cash equivalents, December 31, 2000	<u>\$ 606,846</u>

Reconciliation of Operating Income to Net Cash Provided by

Operating Income	\$ 324,368
Adjustments to reconcile net income to net cash from operating activities:	
Depreciation Expense	491,656
Deferred Charges	4,422
(Increase)Decrease in Accounts Receivable	(205,626)
(Increase)Decrease in Deposits	(550)
(Increase)Decrease in Prepaid Items	(1,132)
(Increase)Decrease in Materials and Supplies Inventory	7,490
Increase(Decrease) in Accounts Payable	(11,570)
Increase(Decrease) in Employee's Withholding Payable	1,650
Increase(Decrease) in Compensated Absences Payable	(30,838)
Increase(Decrease) in Unset Water Taps Payable	(3,800)
Increase(Decrease) in Contracted Debt Payable	<u>151,057</u>
Total Adjustments	<u>402,759</u>
Net Cash Provided by Operating Activities	<u>\$ 727,127</u>

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

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Scioto County Regional Water District Number One is a water district organized under the provisions of Section 6119 of the Ohio Revised Code by the Common Pleas Court of Scioto County in August of 1966. The Regional Water District Number One operates under the direction of a seven member board of trustees. An appointed staff consisting of a superintendent, an assistant superintendent, and an office manager are responsible for fiscal control of the resources of the Scioto County Regional Water District Number One. The Scioto County Regional Water District Number One was established to provide an adequate and uncontaminated water supply for the consumption of the water district users, for industrial and business use, and for fire protection. The District serves all or parts of the following political subdivisions:

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

B. BASIS OF ACCOUNTING

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

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

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

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

C. BUDGETARY PROCESS

The Ohio Revised Code requires that each fund be budgeted annually.

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BUDGETARY PROCESS (Continued)

Appropriations

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

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2000 budgetary activity appears in Note 3.

D. CONTRIBUTED CAPITAL

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

E. PROPERTY, PLANT, AND EQUIPMENT

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

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

F. INVENTORY

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

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. COMPENSATED ABSENCES

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

H. PENSIONS

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

I. CASH & CASH EQUIVALENTS

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

During fiscal year 2000, investments were limited to U.S. Treasury Obligations and Repurchase Agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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

J. FUND ACCOUNTING

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

PROPRIETARY FUND

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

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. FUND ACCOUNTING (Continued)

Enterprise Fund

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

K. Deferred Charges

Non-regularly recurring, noncapital costs of operations that benefit future periods. These costs include those incurred in connection with deferred hydrology, hydrology study, and long and short term sludge plan. Deferred charges expense for 2000 was \$4,422 leaving a balance of \$48,732.

L. Prepaid Expenses

Charges entered in the accounts for benefits not yet received. Prepaid expenses differ from deferred charges in that they are spread over a shorter period of time than deferred charges and are regularly recurring costs of operation. Prepaid expenses for 2000 were \$6,661.

M. ESTIMATES

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

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

Inactive deposits are public deposits the Board has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand At year end, the District had \$350 in undeposited cash on hand which is included on the balance sheet of the District as part of "cash and cash equivalents".

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

Deposits At year end, the carrying amount of the District's deposits was \$16,146 and the bank balance was \$31,841. The bank balance was covered by federal depository insurance.

Investments The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

	Category 1	Category 3	Carrying Amount	Fair Value
Repurchase Agreements	\$0	\$590,350	\$590,350	\$590,350
U.S. Treasury Obligations	\$1,056,542	\$0	\$1,056,542	\$1,056,542
Total Investments			\$1,646,892	\$1,646,892

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

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)

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

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

	Cash and Cash Equivalents Deposits	Investments
GASB Statement 9	\$606,846	\$1,056,542
Cash on Hand	(350)	0
Investments:		
Repurchase Agreement	(590,350)	590,350
GASB Statement 3	\$16,146	\$1,646,892

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2000 is as follows:

Fund Type	2000 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
Enterprise	\$2,465,400	\$2,721,307	\$255,907

Fund Type	2000 Budgeted vs. Actual Budgetary Basis Disbursements		
	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	\$2,850,906	\$2,517,407	\$333,499

NOTE 4 - DEBT OBLIGATIONS

Debt outstanding at December 31, 2000, consisted of the following:

Revenue Bonds-Series 91	
Principal Outstanding	\$ 950,000
Interest Rate	7.25%
Water System Revenue Refunding & Improvement Bonds	
Principal Outstanding	\$ 2,630,000
Interest Rate	4.10%
OPWC Loan	
Principal Outstanding	\$ 108,507
Interest Rate	0.00%

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)

NOTE 4 - DEBT OBLIGATIONS (Continued)

OPWC Loan	
Principal Outstanding	\$ 242,000
Interest Rate	0.00%
Not Fully Drawn to Date	

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

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

The OPWC loans were issued for the purpose of financing the fairgrounds road waterline and Clarktown Water Tank, respectively. Revenue of the District has been pledged to repay this debt.

The annual requirements to amortize all bonded debt outstanding as of December 31, 2000, including interest payments of \$1,129,989, are as follows:

<u>Year Ending December 31</u>	<u>Series-91 Revenue Bonds</u>	<u>Revenue Refunding Bonds</u>	<u>Total Revenue Bonds</u>
2001	\$1,003,438	\$ 263,280	\$1,266,718
2002	0	262,538	262,538
2003	0	261,372	261,372
2004	0	259,808	259,808
2005	0	262,752	262,752
2006-2010	0	1,297,661	1,297,661
2011-2014	0	1,099,140	1,099,140
Total	<u>\$1,003,438</u>	<u>\$3,706,551</u>	<u>\$4,709,989</u>

The annual requirements to amortize all loan debt outstanding, with the exception of \$242,000 OPWC loan not fully drawn, as of December 31, 2000 is as follows:

<u>Year Ending December 31</u>	<u>OPWC Loan</u>
2001	\$ 3,014
2002	6,028
2003	6,028
2004	6,028
2005	6,028
2006-2010	30,141
2011-2015	30,141
2016-2018	21,099
Total	<u>\$ 108,507</u>

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)

NOTE 5 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2000, the district contracted with Ohio Government Risk Management for real property, building contents, and vehicle insurance coverage.

Coverages provided by the program are as follows:

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

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

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

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

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

NOTE 6 - PENSION PLAN

A. Public Employees Retirement System

1. Pension Benefit Obligation

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for employees is 8.5%. The 2000 employer rate for local government employer units was 10.84%, of covered payroll, 6.54% to fund the pension benefit obligation and 4.30% to fund health care. The contribution requirements of plan members and the Water District are established and may be amended by the Public Employees Retirement Board. The Water District's contributions to the PERS of Ohio for the year ending December 31, 1998, 1999, and 2000 was \$95,513, \$117,028 and \$185,852 respectively which was equal to the required contributions.

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)

NOTE 6 - PENSION PLAN (Continued)

A. Public Employees Retirement System (Continued)

2. Other Postemployment Benefits

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

The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2000. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

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

As of December 31, 1999 the unaudited estimated net assets available for future OPEB payments were \$10,805,500,000. The number of benefit recipients eligible for OPEB at December 31, 1999 was 401,339.

NOTE 7 - COMPENSATED ABSENCES

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

District employees who work on holidays and in an occasional overtime status are primarily paid on a current basis. However, in some instances the employees are permitted to accrue compensatory time to be taken as time off or to be paid at a later date. At December 31, 2000, the total vested liability for accumulated unpaid vacation, sick leave and compensatory time recorded was \$59,992.

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)

NOTE 8 -FIXED ASSETS

A summary of the District's fixed assets as of December 31, 2000, are as follows:

Land and Rights of Way	\$ 152,732
Supply Facilities, Wells & Pumps	873,751
Water Treatment Plant	3,300,545
Distribution System & Lines	6,363,577
Furniture and Other Office Equipment	111,818
Transportation Equipment	315,918
Other Equipment	820,870
Construction in Progress - Eng. Plans	10,000
Construction in Progress - Rider Well	29,125
Construction in Progress - Mechanics Garage	14,031
Construction in Progress - South Webster Valve Station	6,414
Construction in Progress - New Filter Room	<u>677</u>
 Total Fixed Assets	 11,999,458
 Less Accumulated Depreciation	 <u>(6,426,066)</u>
 Total Net Fixed Assets	 <u><u>\$ 5,573,392</u></u>

NOTE 9 -CONTINGENCIES

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

NOTE 10 - PRIOR PERIOD ADJUSTMENTS

For the year ended December 31, 2000 the following prior period adjustments have resulted in fund equity restatements:

	<u>Retained Earnings</u> at 12/31/99	<u>Prior</u> <u>Period</u> <u>Adjustments</u>	<u>Restated</u> <u>Retained Earnings</u> at 1/1/2000
1. To record net Adjustments to 1999	\$1,477,836	(\$9,705)	\$1,468,131

**BALESTRA & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

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

We have audited the general purpose financial statements of the Scioto County Regional Water District Number One, Scioto County, as of and for the year ended December 31, 2000, and have issued our report thereon dated April 20, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing and opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

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

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

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

Balestra & Company
Balestra & Company

April 20, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 21, 2001**