



Dave Yost • Auditor of State

**SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Scioto County Regional Water District #1
Scioto County
P.O. Box 310
326 Robert Lucas Road
Lucasville, Ohio 45648

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Scioto County Regional Water District #1, Scioto County, Ohio (the District), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Scioto County Regional Water District #1, Scioto County, Ohio, as of December 31, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the 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 this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014, on our consideration of the District'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 10, 2014

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

Our discussion and analysis of the Scioto County Regional Water District #1's (the District's) financial performance provides an overview of the District's financial activities for the year ended December 31, 2013. Please read it in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report consists of two parts – Management's Discussion and Analysis (this section) and the basic Financial Statements and notes to those statements.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. GASB No. 34 established financial reporting standards for state and local governments, including cities, villages and special purpose governments such as the District. GASB No. 34 required the following changes to the District's financial statements:

1. The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The net position section is displayed in three categories: 1) Invested in Capital Assets, Net of Related Debt, 2) Restricted, and 3) Unrestricted.
2. The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. This statement measures the success of the District's operations over the past year and can be used to determine the District's creditworthiness.
3. The *Statement of Cash Flows* now includes a summary of the cash flows from operations and investments during the reporting period. As in the past, the *Statement of Cash Flows* continues to reconcile the reasons why cash from operating activities differs from operating income.

Overview of the Basic Financial Statements

The District operates as a utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. As an enterprise fund, the District's basic financial statements include four components:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to the Basic Financial Statements

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

Overview of the Basic Financial Statements (Continued)

The *Statement of Net Position* includes all of the District's assets and liabilities, with the difference between the two reported as net position. Net position is displayed in three categories:

- Invested in Capital Assets, Net of Related debt
- Restricted
- Unrestricted

The *Statement of Net Position* provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information which shows how the District's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The *Statement of Revenues, Expenses and Changes in Net Position* measures the success of the District's operations over the past year and determines whether the District has recovered its costs through water sales, user fees and other charges.

The Statement of Cash Flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four activities:

- Operating
- Non-capital Financing
- Capital Financing
- Investing

This statement differs from the *Statement of Revenues, Expenses and Changes in Net Position* in that it accounts only for transactions that result in cash receipts and cash disbursements.

The *Notes to the Basic Financial Statements* provide a description of the accounting policies used to prepare the basic financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the basic financial statements.

Financial Highlights

During the year ending December 31, 2013, the District's operating revenues were over \$4.3 million. Operating expenses were approximately \$3.6 million resulting in \$769,142 operating income. Due to a rate increase, revenues increased significantly when compared with the prior year. No water or tap rates were increased during 2013, and production and usage decreased slightly.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

Financial Highlights (Continued)

During 2013, the sale of bulk water was a significant source of revenues totaling \$861,914. The District continues to be a back-up source for the Southern Ohio Correctional Facility and during the last half of 2013 provided services to the facility which increased revenues from this user. Revenues from other bulk users increased slightly as well.

Several projects in the plant and distribution departments were completed in 2013. Plant projects included the new Haystack Tank and the High Service projects. Distribution projects included the Valley Pump Station and continued work at the Minford property along with various other line replacement projects throughout the system.

The District is continuing the GPS Project and have completed most of phase three of a four phase project. All existing plans of construction and installations of the plant, well field, and distribution systems have been digitized. The database design which is the foundation for which to build a complete mapping system and water model has been completed, and GPS locations for meters, pump stations, and tanks have been identified.

Due to a pending major highway construction project through the District, the District is continuing to prepare for the project with line relocations.

Financial Analysis of the District

Net Position – The District's net position between fiscal years 2012 and 2013 increased from \$9,645,117 to \$10,322,972. The \$677,855 increase is primarily due to increases in cash and cash equivalents and capital assets.

Net position represents the difference between assets and liabilities. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

Financial Analysis of the District (Continued)

Table 1 provides a summary of the District's net position for fiscal year 2013 and fiscal year 2012:

(Table 1)
Net Position

	2013	2012*	Increase (Decrease)
Assets:			
Current and Other Assets	\$4,515,076	\$4,262,549	\$252,527
Capital Assets	8,523,081	8,178,828	344,253
<i>Total Assets</i>	<u>13,038,157</u>	<u>12,441,377</u>	<u>596,780</u>
Deferred Outflows of Resources:			
Deferred Charges	53,666	61,332	(7,666)
Liabilities:			
Current Liabilities	315,905	282,810	33,095
Non-Current Liabilities	2,452,946	2,574,782	(121,836)
<i>Total Liabilities</i>	<u>2,768,851</u>	<u>2,857,592</u>	<u>(88,741)</u>
Net Position:			
Invested in Capital Assets	6,018,921	5,556,707	462,214
Restricted for Other Purposes	248,451	245,927	2,524
Unrestricted	4,055,600	3,842,483	213,117
<i>Total Net Position</i>	<u>\$10,322,972</u>	<u>\$9,645,117</u>	<u>\$677,855</u>

*-Reclassified to distinguish capital assets versus other assets and certain reclassifications were made to prior year amounts for consistency of reporting between years.

Change in Net Position – The District's operating income was \$769,142; operating expenses remained stable with a slight decrease of \$8,456.

In fiscal year 2013, 99% of the District's operating revenues came from water and tap sales with \$861,914 coming from bulk customers. These revenues increased \$121,778 partially from Southern Ohio Correctional Facility needing to be on the District's service and with some of the bulk customers seeing a rate increase. Water sales increased due to a rate increase.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

Table 2 shows the changes in net position for fiscal year 2013 and fiscal year 2012, as well as a listing of revenues and expenses.

(Table 2)

Change in Net Position

	2013	2012	Increase (Decrease)
Operating Revenues:			
Water Sales	\$4,254,095	\$3,741,637	\$512,458
Water Tap Sales	32,585	17,641	14,944
Lab Test Fees	3,728	3,331	397
Miscellaneous	53,836	11,312	42,524
Non-Operating Revenues:			
Interest	6,167	785	5,382
Gain on Sale of Capital Assets	6,824	9,494	(2,670)
<i>Total Revenues</i>	<u>4,357,235</u>	<u>3,784,200</u>	<u>573,035</u>
Operating Expenses:			
Supply and Treatment	1,177,016	1,252,308	(75,292)
Distribution	942,115	908,578	33,537
Administration, Billing, and Office	723,730	739,852	(16,122)
Board Expenses	13,000	13,175	(175)
Depreciation	719,241	669,645	49,596
Non-Operating Expenses:			
Interest	105,014	106,602	(1,588)
<i>Total Expenses</i>	<u>3,680,116</u>	<u>3,690,160</u>	<u>(10,044)</u>
<i>Income Before Contributions</i>	677,119	94,040	583,079
Capital Contributions	736	736	0
Change in Net Position	677,855	94,776	583,079
<i>Net Position at Beginning of Year</i>	<u>9,645,117</u>	<u>9,550,341</u>	<u>94,776</u>
<i>Net Position at End of Year</i>	<u>\$10,322,972</u>	<u>\$9,645,117</u>	<u>\$677,855</u>

The District's interest income saw an increase with a change to Star Plus state investment program. However, interest rates continue to remain low with \$6,167 being earned in 2013. With the current economy and banking industry, this number is expected to remain fairly low. The non-operating expenses remained stable with only a slight change in interest expense and gain on sale of assets.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

Capital Assets

As of December 31, 2013, the District had invested approximately \$8.5 million in capital assets. This amount represents a net increase (including additions and deductions) of \$344,253 over the prior year. The greatest increases to capital assets were projects in the Treatment Plant and replacement of the District's distribution lines. Construction and assets in progress decreased by \$258,965 as several projects were completed. Table 3 shows fiscal year 2013 balances compared to 2012.

Table 3
Capital Assets at December 31

	2013	2012
Land	\$879,430	\$727,699
Construction and Assets in Progress	785,423	1,044,388
Source of Supply	1,487,816	1,481,791
Water Treatment Plant	4,568,588	4,455,573
Distribution System	12,225,934	11,332,232
Transportation Equipment	774,200	686,960
Office Furniture and Equipment	237,251	226,857
Other Equipment	1,366,705	1,306,353
Less: Accumulated Depreciation	(13,802,266)	(13,083,025)
Totals	<u>\$8,523,081</u>	<u>\$8,178,828</u>

More detailed information about the District's capital assets is presented in Note 4 to the basic financial statements.

Budget Analysis

The District exceeded the budgeted revenue for 2013 by \$122,471. Total receipts collected were over \$4.25 million. The District's expenses (excluding depreciation) came in under budget by approximately \$427,169. This does not include depreciation expense of approximately \$719,241. Excluding depreciation, the District expenses totaled \$2,960,875.

Debt Administration

At December 31, 2013, the District had \$2,140,000 in bonds payable. The total OPWC loans payable is \$351,682. More detailed information about the District's long-term debt is presented in Note 5 to the basic financial statements.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

Economic Factors

The District's financial condition remains stable as the District continues to make upgrades and improvements to the system. Additional money for capital improvement was obtained through a bond refunding. District expenses have been managed well and remained stable. Revenues increased in 2013 with a rate increase that was effective on January 1, 2013. Efforts to identify water loss continue in order to control costs. The local economic conditions continue to challenge the District with customer delinquency, water theft, and foreclosures. By implementing a consistent collection approach the District has been able to keep customer delinquency at a reasonable level.

Contacting the District's Financial Management

This financial report is designed to provide our customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact Kathie Edwards, Treasurer at the Scioto Regional Water District # 1 located at 326 Robert Lucas Road, Lucasville, Ohio 45648 by calling (740) 259-2301.

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SCIOTO COUNTY REGIONAL WATER DISTRICT #1

SCIOTO COUNTY

Statement of Net Position

December 31, 2013

Assets:

Current Assets:

Cash and Cash Equivalents	\$3,327,191
Accounts Receivable	767,405
Deposits	4,850
Prepaid Expenses	34,317
Inventories	132,862
<i>Total Current Assets</i>	<u>4,266,625</u>

Non-Current Assets:

Restricted Assets:	
Cash and Cash Equivalents	248,451
Capital Assets:	
Non-Depreciable Capital Assets	1,664,853
Depreciable Capital Assets, Net	6,858,228
Total Capital Assets	<u>8,523,081</u>
 Total Non-Current Assets	 <u>8,771,532</u>

Total Assets 13,038,157

Deferred Outflows of Resources:

Deferred Charges:	
Deferred Charges	<u>53,666</u>

Liabilities:

Current Liabilities:

Accounts Payable	94,418
Employee Withholding Payable	536
Unset Water Taps Payable	32,610
Compensated Absences Payable	63,454
Customer Deposits	1,925
Current Revenue Bonds Payable	85,000
Current OPWC Loans Payable	33,803
Current Capital Lease Payable	4,159
Total Current Liabilities	<u>315,905</u>

Non-Current Liabilities:

Long-Term Compensated Absences Payable	71,749
Capital Lease Payable	8,318
OPWC Loans Payable	317,879
Revenue Bonds Payable	<u>2,055,000</u>
 Total Non-Current Liabilities	 <u>2,452,946</u>

Total Liabilities 2,768,851

Net Position:

Invested in Capital Assets, Net of Related Debt	6,018,921
Restricted for Debt Service	248,451
Unrestricted	<u>4,055,600</u>

Total Net Position \$10,322,972

See accompanying notes to the basic financial statements

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

SCIOTO COUNTY

Statement of Revenues, Expenses and
Changes in Net Position

For the Year Ended December 31, 2013

Operating Revenues:

Water Sales	\$4,254,095
Water Tap Sales	32,585
Lab Test Fees	3,728
Miscellaneous	53,836

Total Operating Revenues 4,344,244

Operating Expenses:

Supply and Treatment	1,177,016
Distribution	942,115
Administration, Billing, and Office	723,730
Board	13,000
Depreciation	719,241

Total Operating Expenses 3,575,102

Operating Income 769,142

Non-Operating Revenues/(Expenses):

Interest Income	6,167
Interest Expense	(105,014)
Gain on Sale of Capital Assets	6,824

Total Non-Operating Revenues/(Expenses): (92,023)

Income Before Contributions 677,119

Capital Contributions from Other Governments 736

Change in Net Position 677,855

Net Position at Beginning of Year 9,645,117

Net Position at End of Year \$10,322,972

See accompanying notes to the basic financial statements

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

SCIOTO COUNTY

Statement of Cash Flows

For the Year Ended December 31, 2013

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$4,249,682
Cash Received from Others	23,506
Cash Payments to Suppliers and Vendors	(1,008,060)
Cash Payments to Employees for Services	<u>(1,843,728)</u>

Net Cash Used for Operating Activities 1,421,400

Cash Flows from Capital and Related Financing Activities:

Principal on Bond	(80,000)
Interest on Bond	(105,014)
OPWC Loans Principal	(33,803)
Capital Lease Principal	(4,159)
Proceeds from Contributed Revenue	736
Proceeds from Sale of Capital Assets	6,824
Payments for Capital Acquisitions	<u>(1,063,497)</u>

Net Cash Used for Capital and Related Financing Activities (1,278,913)

Cash Flows from Investing Activities:

Interest Earned	<u>6,167</u>
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Net Increase in Cash and Cash Equivalents 148,654

Cash and Cash Equivalents at Beginning of Year 3,426,988

Cash and Cash Equivalents at End of Year \$3,575,642

(continued)

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

SCIOTO COUNTY

Statement of Cash Flows

For the Year Ended December 31, 2013

(continued)

Reconciliation of Operating Income to Net

Cash Provided by Operating Activities:

Operating Income \$769,142

Adjustments to Reconcile Operating

Income to Net Cash Provided by Operating Activities:

Depreciation 719,241

Changes in Assets and Liabilities:

(Increase) Decrease in Accounts Receivable (71,055)

(Increase) Decrease in Prepaid Items (8,209)

(Increase) Decrease in Inventories (24,056)

(Increase) Decrease in Deferred Charges 7,666

(Increase) Decrease in Deposits (550)

Increase (Decrease) in Accounts Payable 21,099

Increase (Decrease) in Unset Water Taps Payable 5,750

Increase (Decrease) in Employee's Withholding Payable 217

Increase (Decrease) in Compensated Absences 2,155

Total Adjustments 652,258

Net Cash Provided by Operating Activities \$1,421,400

See accompanying notes to the basic financial statements

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

SCIOTO COUNTY

Notes To The Basic Financial Statements
For The Year Ended December 31, 2013

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

The Scioto County Regional Water District #1 (the District) 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 District operates under the direction of a seven member board of trustees. An appointed staff consisting of a superintendent, a plant superintendent, a distribution superintendent, and an office manager are responsible for fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the water district users, for industrial and business use, and for fire protection. The District serves all 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

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Scioto County Regional Water District #1 this includes general operations of the District.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

SCIOTO COUNTY

Notes To The Basic Financial Statements
For The Year Ended December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis Of Accounting

The District's operations are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been 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 purposes.

The District's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the statement of net position. The operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in total Net Position. The Statement of Cash Flows provides information about how the District finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The District uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

The District's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

For financial reporting, the District uses an enterprise fund presentation. 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.

Capital Assets

Capital 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. Capital Assets are defined as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Depreciation of capital assets of the District is calculated utilizing the straight line method. All assets reported in the financial statements are at cost less accumulated depreciation.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

SCIOTO COUNTY

Notes To The Basic Financial Statements
For The Year Ended December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

The estimated useful lives by major capital asset class are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Source of Supply	8 years
Transportation Equipment	5 years
Water Treatment Plant	40 years
Distribution System	40 years
Other Equipment	5 years
Office Furniture and Equipment	10 years

Inventory

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

Accounts Receivable

The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is included in the financial statements. When amounts are deemed uncollectible, they are expenses in the year in which that determination is made.

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 Governmental Accounting Standards Statement No.16, 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 480 hours.

Pensions

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

Cash and 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 Statement of Net Position.

During fiscal year 2013, investments were limited to U.S. Treasury Obligations, STAR Ohio, and STAR Ohio Plus.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

SCIOTO COUNTY

Notes To The Basic Financial Statements
For The Year Ended December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

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

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

Fund Accounting

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

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

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

Deferred Charges

Deferred charges are non-regularly recurring, non-capital costs of operations that benefit future periods. These costs include those incurred in connection with a bond issuance in 2011. Deferred charges expense for 2013 was \$7,666.

Prepaid Expenses

Prepaid expenses are 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 2013 were \$34,317.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

SCIOTO COUNTY

Notes To The Basic Financial Statements

For The Year Ended December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Net Position

Net position represents the differences between assets and liabilities. 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 external restrictions imposed by creditors, grantors, or laws and regulations of other governments. Net position restricted for debt service consists of monies and other resources which are restricted to satisfy debt service requirements as specified in debt agreements.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the District. These revenues consist of certain sales and fees. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the District. Revenues and expenses not meeting this definition are reported as non-operating.

NOTE 3 – EQUITY IN POOLED DEPOSITS 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 can be withdrawn 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 #1

SCIOTO COUNTY

Notes To The Basic Financial Statements
For The Year Ended December 31, 2013

NOTE 3 – EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)

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

Interim monies may be invested or deposited 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 #1

SCIOTO COUNTY

Notes To The Basic Financial Statements

For The Year Ended December 31, 2013

NOTE 3 – EQUITY IN POOLED DEPOSITS 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.

According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. These securities must be obligation of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name.

Cash on Hand - At year end, the District had \$400 in undeposited cash on hand which is included on the balance sheet of the District as part of "cash and cash equivalents".

Deposits - At year end, the carrying amount of the District's deposits and the bank balance was \$823,106. Of the bank balance at year end 2013, \$250,000 was covered by federal depository insurance. The remaining balances were covered by a 105% public depository pool, which was collateralized with securities held by the pledging institution trust department but not in the District's name. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments - The District had the following investments at December 31, 2013:

	Carrying Amount	Fair Value
Star Ohio	\$7	\$7
Star Ohio Plus	2,503,678	2,503,678
Reserve Bond Trust-Cash Equivalents	189,411	189,411
Reserve Bond Payment-Cash Equivalents	59,040	59,040
Total Investments	<u>\$2,752,136</u>	<u>\$2,752,136</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy requires that, to the extent possible, the Treasurer will attempt to match investments with anticipated cash flow requirements to take best advantage of prevailing economic and market conditions.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

SCIOTO COUNTY

Notes To The Basic Financial Statements

For The Year Ended December 31, 2013

NOTE 3 – EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)

The District's investment policy does not address any restriction on investments relating to interest rate, credit, or custodial credit risks. The investment policy restricts investment in anything other than as identified in the Ohio Revised Code, except that all investments must mature within two years from the date of investments unless they are matched to a specific obligation or debt of the District. Purchasing investments that cannot be held until the maturity date is also restricted.

NOTE 4 - CAPITAL ASSETS

A summary of the District's capital assets activity for the year ended December 31, 2013, was as follows:

	Balance 12/31/12	Additions	Deletions	Balance 12/31/13
Capital Assets Not Being Depreciated:				
Land	\$727,699	\$151,731	\$0	\$879,430
Construction and Assets in Progress	1,044,388	1,033,767	(1,292,732)	785,423
Total Capital Assets Not Being Depreciated:	<u>1,772,087</u>	<u>1,185,498</u>	<u>(1,292,732)</u>	<u>1,664,853</u>
Capital Assets Being Depreciated:				
Source of Supply	\$1,481,791	\$6,025	\$0	\$1,487,816
Water Treatment Plant	4,455,573	113,015	0	4,568,588
Distribution System	11,332,232	899,048	(5,346)	12,225,934
Transportation Equipment	686,960	87,240	0	774,200
Office Furniture and Equipment	226,857	10,394	0	237,251
Other Equipment	1,306,353	60,562	(210)	1,366,705
Total Capital Assets Being Depreciated	<u>19,489,766</u>	<u>1,176,284</u>	<u>(5,556)</u>	<u>20,660,494</u>
Less Accumulated Depreciation:				
Source of Supply	(1,015,016)	(54,874)	0	(1,069,890)
Water Treatment Plant	(3,230,462)	(146,302)	0	(3,376,764)
Distribution System	(7,045,836)	(369,008)	0	(7,414,844)
Transportation Equipment	(593,244)	(59,184)	0	(652,428)
Office Furniture and Equipment	(168,648)	(16,755)	0	(185,403)
Other Equipment	(1,029,819)	(73,118)	0	(1,102,937)
Total Accumulated Depreciation	<u>(13,083,025)</u>	<u>(719,241)</u>	<u>0</u>	<u>(13,802,266)</u>
Total Capital Assets Being Depreciated, Net	<u>6,406,741</u>	<u>457,043</u>	<u>(5,556)</u>	<u>6,858,228</u>
Capital Assets, Net	<u>\$8,178,828</u>	<u>\$1,642,541</u>	<u>(\$1,298,288)</u>	<u>\$8,523,081</u>

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

SCIOTO COUNTY

Notes To The Basic Financial Statements
For The Year Ended December 31, 2013

NOTE 5 - DEBT

A schedule of changes in bonds and other long-term obligations of the District during 2013 follows:

	Amount Outstanding 12/31/12	Additions	Deletions	Amount Outstanding 12/31/13	Amounts Due in One Year
Water System Revenue Refunding & Improvement Bonds (2011)	\$2,220,000		\$ 80,000	\$2,140,000	\$ 85,000
OPWC Loans 1999-2009 (0.00%)	\$ 385,485		\$ 33,803	\$ 351,682	\$ 33,803
Compensated Absences	\$ 133,048	\$ 2,155		\$ 135,203	\$ 63,454
Total	<u>\$2,738,533</u>	<u>\$ 2,155</u>	<u>\$ 113,803</u>	<u>\$2,626,885</u>	<u>\$ 182,257</u>

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 at rates of 2.00% - 5.63%. Payments are made yearly.

The OPWC loans were issued for the purpose of financing the Fairgrounds Road waterline, Clarktown Water Tank, Number 5 Pump Station, Northwest Main Supply Line, and the Cross Country Water Line projects. Revenue of the District has been pledged to repay this debt. Payments of \$16,902 with 0% interest are made semi-annually.

Principal and interest requirements to retire the District's long-term obligations outstanding at December 31, 2013 are as follows:

Year Ending December 31	Improvement Bonds		OPWC Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 85,000	\$ 101,013	\$ 33,803	\$0	\$ 118,803	\$ 101,013
2015	85,000	98,888	33,803	0	118,803	98,888
2016	90,000	96,550	33,803	0	123,803	96,550
2017	90,000	93,850	33,803	0	123,803	93,850
2018	95,000	90,700	33,803	0	128,803	90,700
2019-2023	525,000	393,063	106,536	0	631,536	393,063
2024-2028	675,000	249,388	\$63,631	0	738,631	249,388
2029-2031	495,000	55,550	\$ 12,500	0	507,500	55,550
	<u>\$2,140,000</u>	<u>\$1,179,002</u>	<u>\$ 351,682</u>		<u>\$2,491,682</u>	<u>\$1,179,002</u>

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

SCIOTO COUNTY

Notes To The Basic Financial Statements
For The Year Ended December 31, 2013

NOTE 6 - LEASE

The District entered into an agreement to lease a copier during fiscal year 2011. The terms of the agreement provide options to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The capital asset acquired by the lease has been capitalized in the statement of net position in the amount of \$20,795 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position. Principal payments in fiscal year 2013 totaled \$4,159.

The asset acquired through the capital lease is as follows:

	Amount Outstanding 12/31/12	Additions	Deletions	Amount Outstanding 12/31/13	Amounts Due in One Year
Xerox Lease (2011)	\$ 16,636		\$ 4,159	\$ 12,477	\$ 4,159

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2013:

Year Ending <u>December 31</u>	<u>Xerox Lease</u>
2014	\$ 4,159
2015	4,159
2016	4,159
Total Lease Payments	<u>\$ 12,477</u>

NOTE 7 - RISK MANAGEMENT

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

SCIOTO COUNTY

Notes To The Basic Financial Statements
For The Year Ended December 31, 2013

NOTE 7 - RISK MANAGEMENT (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2012 and 2013.

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

NOTE 8 - PENSION PLAN

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan-a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan-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 member and (vested) employer contributions plus any investment earnings.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

SCIOTO COUNTY

Notes To The Basic Financial Statements
For The Year Ended December 31, 2013

NOTE 8 - PENSION PLAN (Continued)

3. The Combined Plan-a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided in 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>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614)-222-5601 or (800)-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2013 member contribution rates were 10.00% of covered payroll for members in state and local classifications. Public safety and law enforcement members contributed 12.00% and 12.60%, respectively. Effective January 1, 2014, the member contribution rates for public safety and law enforcement members increased to 12.00% and 13.00% respectively. The 2013 employer contribution rate for state and local employers was 14.00% of covered payroll. The law enforcement and public safety division employer contribution rate was 18.10% of covered payroll.

The Water District's contributions to the PERS of Ohio for the year ended December 31, 2011, 2012, and 2013 was \$267,748, \$196,617, and \$186,104 respectively which were equal to the total required contributions.

NOTE 9 - POSTEMPLOYMENT BENEFITS

Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension 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.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

SCIOTO COUNTY

Notes To The Basic Financial Statements

For The Year Ended December 31, 2013

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in 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>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614)-222-5601 or (800)-222-7377.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement healthcare coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

SCIOTO COUNTY

Notes To The Basic Financial Statements
For The Year Ended December 31, 2013

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The District's contributions allocated to fund post employments health care benefits for the year ended December 31, 2013 was \$13,294.

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 under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

NOTE 10 – 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, 2013, the total vested liability for accumulated unpaid vacation, sick leave and compensatory time recorded was \$135,203.

NOTE 11 - CONTINGENCIES

Litigation

The District is involved in legal proceedings. Although management cannot presently determine the outcome of these items, management believes that the resolution of these matters will not materially adversely affect the District's financial condition.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

SCIOTO COUNTY

Notes To The Basic Financial Statements

For The Year Ended December 31, 2013

NOTE 12 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2013, the District has implemented Governmental Accounting Standard Board (GASB) Statement No. 65, “Items Previously Reported as Assets and Liabilities”.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

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Dave Yost • Auditor of State

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

Scioto County Regional Water District #1
Scioto County
P.O. Box 310
326 Robert Lucas Road
Lucasville, Ohio 45648

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Scioto County Regional Water District #1, Scioto County, Ohio (the District), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 10, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of the Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 10, 2014



Dave Yost • Auditor of State

SCIOTO COUNTY REGIONAL WATER DISTRICT #1

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 06, 2014**