



Dave Yost • Auditor of State

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Jefferson Regional Water Authority
Montgomery County
1230 Soldiers Home Road
Miamisburg, Ohio 45342

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Jefferson Regional Water Authority, Montgomery County, Ohio (the Authority), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 Authority'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 Authority'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 respective cash financial position of the business-type activities of Jefferson Regional Water Authority, Montgomery County, Ohio, as of December 31, 2014 and 2013, and the respective changes in cash financial position for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We applied no procedures to the Management's Discussion & Analysis presented on pages 3-5 and 19-21 of the report, and accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 Authority's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 15, 2015

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2014**

This discussion and analysis of the Authority's financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2014, within the limitations of the Authority's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Authority's financial performance. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Highlights

Key highlights for 2014 are as follows:

- Business type activities increased by \$19,422 or 2 percent. This increase was due to less than expected expenditures.
- Debt service payments for the year were \$217,221. \$156,733 of this decrease was debt principal payments made during the period.

Using the Basic Financial Statements

Report Components

The statement of net position and the statement of cash receipts, disbursements, and changes in net position – cash basis, provide information about the cash basis activities of the Authority as a whole.

The Authority is a single enterprise fund using proprietary fund accounting. The Basic Financial Statements are presented using the cash basis of accounting.

The notes to the financial statements are an integral part of the business type activities, provide expanded explanation, and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Authority has elected to present its financial statements on a cash basis of accounting. Under this basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets, their related revenues (such as accounts receivable), certain liabilities, and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the Authority's use of the cash basis of accounting.

Reporting the Government as a Whole

The statement of net position and the statement of cash receipts, disbursements, and changes in net position – cash basis, provide information about the cash basis activities of the Authority as a whole. The statement of net position presents the cash balances and investments of the business-type activities of the Authority at year end.

These statements report the Authority's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Authority's financial health. Over time, increases or decreases in the Authority's cash position is one indicator of whether the Authority's health is improving or deteriorating. When evaluating the Authority's financial condition, you should also consider other financial factors as well such as the condition of the Authority's capital assets and physical plant, the extent of the Authority's debt obligations, the reliance on non-local financial resources for operations and the possible need for major local revenue sources.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2014**

The Government as a Whole

Table 1 provides a summary of the Government's net position for 2014 compared to 2013 on a cash basis:

**Table 1
Net Assets**

	Business-Type Activities	
	2014	2013
Assets:		
Cash and Investments	\$952,749	\$933,328
Total Assets	952,749	933,328
Net Position:		
Restricted for:		
Debt Service	189,000	189,000
Unassigned	763,749	744,328
Total Net Position	\$952,749	\$933,328

As mentioned previously, net position increased by \$19,422 or 2 percent during 2014. The primary reasons contributing to the increase in cash balances are as follows:

- Strict adherence to budgets
- Less than expected capital budgets

Table 2 reflects the changes in net assets in 2014 and 2013 with the variance from the prior year to 2014.

Table 2

	2014	2013	Variance
Operating Cash Receipts:			
Water Sales	\$691,476	\$680,062	\$11,414
Tap In Fees	10,000	12,000	(2,000)
Total Operating Cash Receipts	701,476	692,062	9,414
Operating Cash Disbursements:			
Administration	277,155	299,129	21,974
Contractual Services	22,603	21,178	(1,425)
Supplies/Equipment	3,162	1,959	(1,203)
Operations	133,652	137,485	3,833
Capital Expenditures	24,093	17,478	(6,615)
Repairs/Maintenance	24,883	14,512	(10,371)
Miscellaneous	466	893	427
Total Operating Cash Disbursements	486,014	492,634	6,620
Operational Gain (Loss)	215,462	199,428	16,034
Non-Operating Cash Receipts:			
Investment Income	6,535	5,311	1,224
Miscellaneous Income	14,645	14,449	196
Total Non-Operating Cash Receipts	21,180	19,760	1,420

(Continued)

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Table 2
(Continued)**

	<u>2014</u>	<u>2013</u>	<u>Variance</u>
Non-Operating Cash Disbursements:			
Debt Service	217,221	215,973	(1,248)
Total Non-Operating Cash Disbursements	<u>217,221</u>	<u>215,973</u>	<u>(\$1,248)</u>
Increase (Decrease) in Net Position	19,421	3,215	
Net Position - Beginning of Year	<u>933,328</u>	<u>930,113</u>	
Net Position - End of Year	<u>\$952,749</u>	<u>\$933,328</u>	

Debt

The Authority has total outstanding loans of \$1,249,112. This balance represents a decrease of \$156,733 due to principal payments. The Authority issued long term debt to finance the construction of the water lines, and infrastructure. The notes were authorized and issued under resolutions passed by the Board of Trustees. The Authority issued no new debt in 2014.

Capital Assets

Capital Assets: The Authority does not report capital assets under the cash basis of accounting.

Current Issues

The challenge for the Authority is to provide quality water to the public and remain viable for the short and long term. The Authority has been able to accomplish short term objectives and continue to operate the Water Authority with a positive cash flow.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, and patrons with a general overview of the Authority's finances and to reflect the Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Gary Patton, Treasurer, Jefferson Regional Water Authority, P.O. Box 369 Miamisburg, OH 45342

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JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY

STATEMENT OF NET POSITION - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Business Type Activities</u>
Assets:	
Cash and Investments	\$952,749
Total Assets	<u>\$952,749</u>
Net Position:	
Restricted for Debt Payments	\$189,000
Unassigned	<u>763,749</u>
Total Net Position	<u>\$952,749</u>

See accompanying notes to the basic financial statements.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN NET POSITION – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	2014
Operating Cash Receipts:	
Water Sales	\$691,476
Tap Inn Fees	10,000
Total Operating Revenues	701,476
Operating Cash Disbursements:	
Administration	277,155
Contractual Services	22,603
Supplies/Equipment	3,162
Operations	133,652
Capital Expenditures	24,093
Repairs/Maintenance	24,883
Miscellaneous	466
Total Operating Disbursements	486,014
Operating Income (Loss)	215,462
Non-Operating Cash Receipts:	
Investment Income	6,535
Miscellaneous Income	14,645
Total Non-Operating Revenues	21,180
Non-Operating Cash Disbursements:	
Debt Service	217,221
Total Non-Operating Expenses	217,221
Net Revenues in excess of Expenses	19,421
Net Position Beginning of Year	933,328
Net Position End of Year	\$952,749
<i>See accompanying notes to the basic financial statements.</i>	

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>
Cash flows from operating activities:	
Cash from Water Sales & Tap Fees	\$701,476
Cash payments for operating expenses	(461,131)
Cash payments for maintenance	(24,883)
Net cash provided by operating activities	<u>215,462</u>
Cash flows from non capital financing activities:	
Cash provided from investment income	6,535
Cash provided by miscellaneous sources	14,645
Net cash provided from noncapital financing activities	<u>21,180</u>
Cash flows from capital and related financing activities	
Cash used for debt service	(217,221)
Net cash used in capital and related financing activities	<u>(217,221)</u>
Net Increase in Cash and Investments	19,421
Cash and Investments, Beginning of Year	933,328
Cash and Investments, End of Year	<u><u>\$952,749</u></u>

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**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. DESCRIPTION OF THE AUTHORITY AND REPORTING ENTITY

The Jefferson Regional Water Authority, Montgomery County Ohio (the Authority), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority is directed by a seven member Board of Trustees elected, for three year term, by the members of the Authority. The board has complete authority over all aspects of the operation. The Authority provides water services to the residents of the Authority.

The Authority's management believes this financial statement presents all activities for which the Authority is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

A. Basis of Presentation

The Authority's basic financial statements consist of a statement of net position and a statement of receipts, disbursements, and changes in net position – cash basis, which provide a more detailed level of financial information.

1. Entity-Wide Financial Statements

The statement of net position and the statement of receipts, disbursements, and changes in net position – cash basis, display information about the Authority at year end. These statements include the financial activities of the government.

The statement of net position presents the cash balance of the business type activities of the Authority at year end. The statement of receipts, disbursements, and changes in net position – cash basis, compares disbursements with receipts.

Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Authority is responsible.

B. Basis of Accounting

The Authority's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Authority's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

All expenditures are legally required to be appropriated. The Appropriation Resolution is the Trustee's authorization to spend resources and sets limits on expenditures plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund level. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Trustees.

For control purposes, the Authority estimates revenues to be received for the year. These estimated revenues, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated revenues may be revised during the year if projected increases or decreases in receipts are identified by the Treasurer.

The Appropriation Resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources.

D. Cash and Cash Equivalents

For reporting purposes, the Authority considers "Cash and Investment Balances" to be cash on hand, demand deposits, and all investments held by the Authority. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as unrealized gain or loss. All investments are reported at cost.

E. Restricted Assets

Certain resources are set aside for the repayment of loans and as such are classified as restricted assets on the asset sheet because their use is limited to repayment of debt. The restricted assets are used for assuring payment of future principal and interest.

F. Inventory and Prepaid Items

The Authority reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Authority's cash basis of accounting.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Employer Contributions to Cost-Sharing Plans

The Authority recognized the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long Term Obligations

The Authority's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

3. DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the Authority's treasury. Such monies must be maintained either as cash in the Authority's 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 that the Authority has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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

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 Authority, 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.

At December 31, 2014, the carrying amount of the Authority's deposits and cash on hand was \$332,749 as compared to the bank balance of \$328,764. Of the bank balances at December 31, 2014, the entire amount was covered by federal depository insurance.

As of December 31, 2014, the Authority had the following instruments and maturities:

Carrying Value Investment Type	Amount	Maturity
GE Ret Bk Draper	\$200,000	12/06/2016
Goldman Sachs	100,000	05/21/2015
Goldman Sachs	100,000	11/23/2015
Discover Bank Greenwood	110,000	02/21/2017
Discover Bank Greenwood	110,000	02/20/2018
Total Investments	\$620,000	

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement.

Credit Risk – The Authority's investment policy addresses credit risk by limiting investments to the safest types of securities, pre-qualifying financial institutions, brokers, intermediaries and financial advisors and by diversifying the investment portfolio so that potential losses on the individual securities do not exceed income generated from the remaining portfolio

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

4. RISK MANAGEMENT

The Authority 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. During 2014, the Authority contracted for various types of insurance coverage as follows:

	Coverage
Comprehensive Property	\$5,062,500
General Liability	\$1,000,000
Commercial Umbrella	\$2,000,000
Vehicle	\$1,000,000
Employee Dishonesty	\$1,000,000
Inland Marine	\$100,00

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Authority pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims

5. DEBT

Debt outstanding at December 31, 2014 was as follows:

Loan	Outstanding as of 12/31/13	2014 Retirements	Outstanding as of 12/31/14	Due in one year
OWDA Loan 1637	\$137,883	\$52,378	\$85,505	\$56,312
OWDA Loan 4026	181,046	7,014	174,032	7,155
OPWC Loan CD7F	141,916	12,341	129,576	12,341
USDA Loan	945,000	85,000	860,000	90,000
	\$1,405,845	\$156,733	\$1,249,112	\$165,808

Amortization of the above debt, including interest, is scheduled as follows:

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

5. DEBT (Continued)

<u>Year ending December 31:</u>	<u>OWDA LOAN 1637</u>	<u>OWDA LOAN 4026</u>	<u>OPWC LOAN CD07F</u>	<u>USDA LOAN</u>
2015	\$62,733	\$10,600	\$12,340	133,000
2016	31,366	10,600	12,340	133,500
2017		10,600	12,340	133,750
2018		10,600	12,340	133,750
2019		10,600	12,340	133,500
2020-2024		53,002	61,702	396,500
2025-2029		53,002		
2030-2034		53,002		
Total	<u>\$94,099</u>	<u>\$212,006</u>	<u>\$123,402</u>	<u>\$1,064,000</u>

The below describes each specific debt obligation:

Farmer's Home Administration (USDA) Loan 1982 – The loan was issued on September 1, 1982, for a period of 40 years with an interest rate of 5.00 percent. The original issue was for \$2,232,000 to construct water lines and infrastructure. Current operations are expected to provide sufficient cash flows to fund debt service requirements.

Ohio Water Development Authority (OWDA) Loan 1637 – The loan was issued on July 1, 1991, for a period of 25 years in the amount of \$698,674 with an interest rate of 7.51 percent. The loan provided for the construction of water lines. Current operations are expected to provide sufficient cash flows to fund debt service requirements.

Ohio Water Development Authority (OWDA) Loan 4026 – The loan was issued on January 29, 2004 for a period of 30 years in the amount of \$250,000 with an interest rate of 2%. The loan provided for water line construction and infrastructure. Current operations are expected to provide sufficient cash flows to fund debt service requirements.

Ohio Public Works Commission (OPWC) Loan CD07F - The loan was issued on July 1, 2005 for a period of 20 years in the amount of \$246,811 with an interest rate of 0%. The loan provides for water line construction and infrastructure. Current operations are expected to provide sufficient cash flows to fund debt service requirements.

6. RETIREMENT SYSTEMS

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. (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. (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 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.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

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 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 and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll. For 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rate was 10.0% for members in local classifications. The 2014 employer contribution rate for local government employer units was 14.00% of covered payroll. The Authority has paid all required contributions through December 31, 2014.

7. POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, the Ohio Public Employees Retirement System (OPERS) provides other post-employment benefits (OPEB).

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit postemployment 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 health care coverage provided by OPERS meets the definition of another Post-Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. 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 writing 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 through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

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. The portion of employer contributions allocated to health care for members in the Traditional Plan and for members in the Combined Plan was 2.0% for calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2.0% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2013**

This discussion and analysis of the Authority's financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2013, within the limitations of the Authority's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Authority's financial performance. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Highlights

Key highlights for 2013 are as follows:

- Net position of business type activities increased by \$3,215 or .3 percent. This increase was due to strict adherence upon budgeting and spending.
- Debt service payments for the year were \$215,973. \$147,936 of this decrease was debt principal payments made during the period.

Using the Basic Financial Statements

Report Components

The statement of net position and the statement of cash receipts, disbursements, and changes in net position – cash basis, provide information about the cash basis activities of the Authority as a whole.

The Authority is a single enterprise fund using proprietary fund accounting. The Basic Financial Statements are presented using the cash basis of accounting.

The notes to the financial statements are an integral part of the business type activities and, provide expanded explanation, and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Authority has elected to present its financial statements on a cash basis of accounting. Under this basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets, their related revenues (such as accounts receivable), certain liabilities, and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the Authority's use of the cash basis of accounting.

Reporting the Government as a Whole

The statement of net position and the statement of cash receipts, disbursements, and changes in net position – cash basis, provide information about the cash basis activities of the Authority as a whole. The statement of net position presents the cash balances and investments of the business-type activities of the Authority at year end.

These statements report the Authority's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Authority's financial health. Over time, increases or decreases in the Authority's cash position is one indicator of whether the Authority's health is improving or deteriorating. When evaluating the Authority's financial condition, you should also consider other financial factors as well such as the condition of the Authority's capital assets and physical plant, the extent of the Authority's debt obligations, the reliance on non-local financial resources for operations and the possible need for major local revenue sources.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

The Government as a Whole

Table 1 provides a summary of the Government's net assets for 2013 compared to 2012 on a cash basis:

**Table 1
Net Position**

	Business-Type Activities	
	2013	2012
Assets:		
Cash and Investments	\$933,328	\$930,113
Total Assets	<u>933,328</u>	<u>930,113</u>
Net Position:		
Restricted for:		
Debt Service	189,000	189,000
Unassigned	744,328	741,113
Total Net Position	<u>\$933,328</u>	<u>\$930,113</u>

As mentioned previously, net position increased by \$3,215 or .03 percent during 2013. The primary reasons contributing to the increase in cash balances are as follows:

- Strict adherence to budgets
- Less than expected capital budgets

Table 2 reflects the changes in net assets in 2013 and 2012 with the variance from the prior year to 2013.

Table 2

	2013	2012	Variance
Operating Cash Receipts:			
Water Sales	\$680,062	\$699,155	(\$19,094)
Tap In Fees	12,000	18,000	(6,000)
Total Operating Cash Receipts	<u>692,062</u>	<u>717,155</u>	<u>(25,094)</u>
Operating Cash Disbursements:			
Administration	299,129	233,920	(65,209)
Contractual Services	21,178	38,446	17,268
Supplies/Equipment	1,959	2,171	212
Operations	137,485	159,288	21,803
Capital Expenditures	17,478	130,589	113,111
Repairs/Maintenance	14,512	21,353	6,841
Miscellaneous	893	2,509	1,616
Total Operating Cash Disbursements	<u>492,634</u>	<u>588,276</u>	<u>95,642</u>
Operational Gain (Loss)	199,428	128,879	70,549
Non-Operating Cash Receipts:			
Investment Income	5,311	11,573	(6,262)
Miscellaneous Income	14,449	15,932	(1,483)
Total Non-Operating Cash Receipts	<u>19,760</u>	<u>27,505</u>	<u>(7,745)</u>

(Continued)

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

**Table 2
(Continued)**

	<u>2013</u>	<u>2012</u>	<u>Variance</u>
Non-Operating Cash Disbursements:			
Debt Service	215,973	214,491	1,481
Total Non-Operating Cash Disbursements	<u>215,973</u>	<u>214,491</u>	<u>\$1,481</u>
Increase (Decrease) in Net Position	3,215	(58,106)	
Net Position - Beginning of Year	930,113	988,219	
Net Position - End of Year	<u>\$933,328</u>	<u>\$930,113</u>	

Debt

The Authority has total outstanding loans of \$1,405,845. This balance represents a decrease of \$147,936 due to principal payments. The Authority issued long term debt to finance the construction of the water lines, and infrastructure. The notes were authorized and issued under resolutions passed by the Board of Trustees. The Authority issued no new debt in 2013.

Capital Assets

Capital Assets: The Authority does not report capital assets under the cash basis of accounting.

Current Issues

The challenge for the Authority is to provide quality water to the public and remain viable for the short and long term. The Authority has been able to accomplish short term objectives and continue to operate the Water Authority with a positive cash flow.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, and patrons with a general overview of the Authority's finances and to reflect the Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Gary Patton, Treasurer, Jefferson Regional Water Authority, P.O. Box 369 Miamisburg, OH 45342

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JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY

STATEMENT OF NET POSITION – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Business Type Activities</u>
Assets:	
Cash and Investments	\$933,328
Total Assets	<u>933,328</u>
Net Position:	
Restricted for Debt Payments	189,000
Unassigned	744,328
Total Net Position	<u>\$933,328</u>

See accompanying notes to the basic financial statements.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN NET POSITION – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013
Operating Cash Receipts:	
Water Sales	\$680,062
Tap Inn Fees	12,000
Total Operating Revenues	692,062
Operating Cash Disbursements:	
Administration	\$299,129
Contractual Services	21,178
Supplies/Equipment	1,959
Operations	137,485
Capital Expenditures	17,478
Repairs/Maintenance	14,512
Miscellaneous	893
Total Operating Disbursements	492,634
Operating Income (Loss)	199,428
Non-Operating Cash Receipts:	
Investment Income	5,311
Miscellaneous Income	14,449
Total Non-Operating Revenues	19,760
Non-Operating Cash Disbursements:	
Debt Service	215,973
Total Non-Operating Expenses	215,973
Net Revenues in excess of Expenses	3,215
Net Position Beginning of Year	930,113
Net Position End of Year	\$933,328

See accompanying notes to the basic financial statements.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u>
Cash flows from operating activities:	
Cash from Water Sales & Tap Fees	\$692,062
Cash payments for operating expenses	(478,122)
Cash payments for maintenance	(14,512)
Net cash provided by operating activities	<u>199,428</u>
Cash flows from non capital financing activities:	
Cash provided from investment income	5,311
Cash provided by miscellaneous sources	14,449
Net cash provided from noncapital financing activities	<u>19,760</u>
Cash flows from capital and related financing activities	
Cash used for debt service	(215,973)
Net cash used in capital and related financing activities	<u>(215,973)</u>
Net Increase in Cash and Investments	3,215
Cash and Investments, Beginning of Year	930,113
Cash and Investments, End of Year	<u><u>\$933,328</u></u>

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**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. DESCRIPTION OF THE AUTHORITY AND REPORTING ENTITY

The Jefferson Regional Water Authority, Montgomery County Ohio (the Authority), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority is directed by a seven member Board of Trustees elected, for three year term, by the members of the Authority. The board has complete authority over all aspects of the operation. The Authority provides water services to the residents of the Authority.

The Authority's management believes this financial statement presents all activities for which the Authority is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

A. Basis of Presentation

The Authority's basic financial statements consist of entity-wide statements, including a statement of net position and a statement of cash receipts, disbursements, and changes in net position – cash basis, which provide a more detailed level of financial information.

1. Entity-Wide Financial Statements

The statement of net position and the statement of cash receipts, disbursements, and changes in net position – cash basis, display information about the Authority at year end. These statements include the financial activities of the government.

The statement of net position presents the cash balance of the business type activities of the Authority at year end. The statement of cash receipts, disbursements, and changes in net position – cash basis, compares disbursements with receipts.

Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Authority is responsible.

B. Basis of Accounting

The Authority's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Authority's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

All expenditures are legally required to be appropriated. The Appropriation Resolution is the Trustee's authorization to spend resources and sets limits on expenditures plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund level. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Trustees.

For control purposes, the Authority estimates revenues to be received for the year. These estimated revenues, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated revenues may be revised during the year if projected increases or decreases in receipts are identified by the Treasurer.

The Appropriation Resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources.

D. Cash and Cash Equivalents

For reporting purposes, the Authority considers "Cash and Investment Balances" to be cash on hand, demand deposits, and all investments held by the Authority. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as unrealized gain or loss. All investments are reported at cost.

E. Restricted Assets

Certain resources are set aside for the repayment of loans and as such are classified as restricted assets on the asset sheet because their use is limited to repayment of debt. The restricted assets are used for assuring payment of future principal and interest.

F. Inventory and Prepaid Items

The Authority reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Authority's cash basis of accounting.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Employer Contributions to Cost-Sharing Plans

The Authority recognized the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long Term Obligations

The Authority's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

3. DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the Authority's treasury. Such monies must be maintained either as cash in the Authority's 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 that the Authority has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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

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 Authority, 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.

At December 31, 2013, the carrying amount of the Authority's deposits and cash on hand was \$313,328 as compared to the bank balance of \$302,101. Of the bank balances at December 31, 2013, the entire amount was covered by federal depository insurance.

As of December 31, 2013, the Authority had the following instruments and maturities:

<u>Carrying Value Investment Type</u>	<u>Amount</u>	<u>Maturity</u>
GE Ret Bk Draper	\$200,000	12/06/2016
Goldman Sachs	100,000	05/21/2015
Goldman Sachs	100,000	11/23/2015
GE Capital	220,000	02/12/2014
Total Investments	\$620,000	

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement.

Credit Risk – The Authority's investment policy addresses credit risk by limiting investments to the safest types of securities, pre-qualifying financial institutions, brokers, intermediaries and financial advisors and by diversifying the investment portfolio so that potential losses on the individual securities do not exceed income generated from the remaining portfolio.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

4. RISK MANAGEMENT

The Authority 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. During 2013, the Authority contracted for various types of insurance coverage as follows:

	Coverage
Comprehensive Property	\$5,062,500
General Liability	\$1,000,000
Commercial Umbrella	\$2,000,000
Vehicle	\$1,000,000
Employee Dishonesty	\$1,000,000
Inland Marine	\$100,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Authority pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

5. DEBT

Debt outstanding at December 31, 2013 was as follows:

Loan	Outstanding as of 12/31/12	2013 Retirements	Outstanding as of 12/31/13	Due in one year
OWDA Loan 1637	\$186,602	\$48,719	\$137,882	\$52,378
OWDA Loan 4026	187,922	6,876	181,046	7,014
OPWC Loan CD7F	154,257	12,341	141,916	12,341
USDA Loan	1,025,000	80,000	945,000	85,000
	\$1,553,782	\$147,936	\$1,405,845	\$156,595

Amortization of the above debt, including interest, is scheduled as follows:

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

5. DEBT (Continued)

<u>Year ending December 31:</u>	<u>OWDA LOAN 1637</u>	<u>OWDA LOAN 4026</u>	<u>OPWC LOAN CD07F</u>	<u>USDA LOAN</u>
2014	\$62,733	\$10,600	\$12,340	132,200
2015	62,733	10,600	12,340	133,000
2016	31,366	10,600	12,340	133,500
2017		10,600	12,340	133,750
2018		10,600	12,340	133,750
2019-2023		53,002	61,702	530,000
2024-2028		53,002	12,340	
2029-2033		53,002		
2034		10,600		
Total	<u>\$156,832</u>	<u>\$222,606</u>	<u>\$135,742</u>	<u>\$1,196,200</u>

The below describes each specific debt obligation:

Farmer’s Home Administration (USDA) Loan 1982 – The loan was issued on September 1, 1982, for a period of 40 years with an interest rate of 5.00 percent. The original issue was for \$2,232,000 for the construction of water lines and infrastructure. Current operations are expected to provide sufficient cash flows to fund debt service requirements.

Ohio Water Development Authority (OWDA) Loan 1637 – The loan was issued on July 1, 1991, for a period of 25 years in the amount of \$698,674 with an interest rate of 7.51 percent. The loan was for the construction of water lines and infrastructure. Current operations are expected to provide sufficient cash flows to fund debt service requirements.

Ohio Water Development Authority (OWDA) Loan 4026 – The loan was issued on January 29, 2004 for a period of 30 years in the amount of \$250,000 with an interest rate of 2%. The loan was for the construction of water lines and infrastructure. Current operations are expected to provide sufficient cash flows to fund debt service requirements.

Ohio Public Works Commission (OPWC) Loan CD07F - The loan was issued on July 1, 2005 for a period of 20 years in the amount of \$246,811 with an interest rate of 0%. The loan provides water line construction and infrastructure. Current operations are expected to provide sufficient cash flows to fund debt service requirements.

6. RETIREMENT SYSTEMS

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. (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. (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 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.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

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 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 and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll. For 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rate was 10.0% for members in local classifications. The 2013 employer contribution rate for local government employer units was 14.00% of covered payroll. The Authority has paid all required contributions through 2013.

7. POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, the Ohio Public Employees Retirement System (OPERS) provides other post-employment benefits (OPEB).

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit postemployment 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 health care 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 OPEB benefits to its eligible members and beneficiaries. 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 writing 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 through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

7. POST-EMPLOYMENT BENEFITS (Continued)

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 postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and for members in the Combined Plan was 2.0% for calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2.0% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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.



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*

Jefferson Regional Water Authority
Montgomery County
1230 Soldiers Home Road
Miamisburg, Ohio 45342

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 cash basis financial statements of the business-type activities of Jefferson Regional Water Authority, Montgomery County, (the Authority) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority'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 Authority'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 Authority'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 this 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 Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

December 15, 2015



Dave Yost • Auditor of State

JEFFERSON REGIONAL WATER AUTHORITY

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 18, 2016**