



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, 2014, 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 that we plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about the 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 considered internal control relevant to the District's preparation and fair presentation of the financial statements in order to design appropriate audit procedures, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such 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 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, 2014, 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 inquiring to 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 February 5, 2016, 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

February 5, 2016

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

Management's Discussion and Analysis

For the Year Ended December 31, 2014

Unaudited

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Our discussion and analysis of the Scioto 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, 2014. 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 assets 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 Financial Statements

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:

**SCIOTO COUNTY REGIONAL WATER DISTRICT #1**

Management's Discussion and Analysis

For the Year Ended December 31, 2014

Unaudited

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**Overview of the Basic Financial Statements (Continued)**

- 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 Revenue, 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 categories:

- 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, 2014, the District's operating revenues were over \$4.37 million. Operating expenses were approximately \$3.6 million resulting in \$770,255 operating income. There were no rate increases in 2014, so revenues remained stable and very similar to the previous year. Revenue from the purchase of water taps did increase by almost 50% which is a significant change over previous years.

During 2014, the sale of bulk water was a significant source of revenue totaling \$884,445. The District continues to be a back-up source for Southern Ohio Correctional Facility and during the

**SCIOTO COUNTY REGIONAL WATER DISTRICT #1**

Management's Discussion and Analysis

For the Year Ended December 31, 2014

Unaudited

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**Financial Highlights (Continued)**

first nine months of 2014 provided service to the facility which increased the District's revenues from this user. Revenues from other large bulk users increased slightly as well.

Several projects in the plant and distribution departments were completed in 2014. Plant projects included the Slaker and Lime Silo Refurbishes, Cat Walk Framing, and the North and South Clarifier projects. Distribution projects included the Minford Sewer Project and continued work at the Minford property along with various other line replacement projects throughout the system.

The District is continuing the GIS Project and have entered phase four of the 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. The District is working towards being able to have a working and real-time model our water system.

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

**Financial Analysis of the District**

**Net Position** - The District's net position between fiscal years 2013 and 2014 increased from \$10,322,972 to \$11,100,018. The \$777,046 increase is primarily due to an increase 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, 2014

Unaudited

**Financial Analysis of the District (Continued)**

Table 1 provides a summary of the District's net position for fiscal year 2014 and fiscal year 2013:

(Table 1)

**Net Position**

	2014	2013	Increase (Decrease)
<b>Assets:</b>			
Current and Other Assets	\$4,829,225	\$4,515,076	\$314,149
Capital Assets	9,075,131	8,523,081	552,050
<i>Total Assets</i>	<u>13,904,356</u>	<u>13,038,157</u>	<u>866,199</u>
<b>Deferred Outflows of Resources:</b>			
Deferred Charges	45,999	53,666	(7,667)
<b>Liabilities:</b>			
Current Liabilities	509,227	315,905	193,322
Non-Current Liabilities	2,341,110	2,452,946	(111,836)
<i>Total Liabilities</i>	<u>2,850,337</u>	<u>2,768,851</u>	<u>81,486</u>
<b>Net Position:</b>			
Invested in Capital Assets	6,693,934	6,018,921	675,013
Restricted for Other Purposes	247,632	248,451	(819)
Unrestricted	4,158,452	4,055,600	102,852
<i>Total Net Position</i>	<u>\$11,100,018</u>	<u>\$10,322,972</u>	<u>\$777,046</u>

**Change in Net Position** – The District's operating revenue was \$4,377,751; operating expenses remained stable with a slight increase of \$32,394.

In fiscal year 2014, 99% of the District's operating revenues came from water and tap sales with \$884,445 coming from bulk customers. In addition, water Tap Sales increased by almost 50% to \$47,860 resulting in a Change in Net Position of \$777,046. Overall, revenues and expenses remained stable with a slight increase over 2013.

Table 2 shows the changes in net position for fiscal year 2014 and fiscal year 2013, as well as a listing of revenues and expenses.

**SCIOTO COUNTY REGIONAL WATER DISTRICT #1**

Management's Discussion and Analysis

For the Year Ended December 31, 2014

Unaudited

(Table 2)

**Change in Net Position**

	<u>2014</u>	<u>2013</u>	Increase (Decrease)
<b>Operating Revenues:</b>			
Water Sales	\$4,308,454	\$4,254,095	\$54,359
Water Tap Sales	47,860	32,585	15,275
Lab Test Fees	3,184	3,728	(544)
Miscellaneous	18,253	53,836	(35,583)
<b>Non-Operating Revenues:</b>			
Interest	6,643	6,167	476
Gain on Sale of Capital Assets	20,236	6,824	13,412
<i>Total Revenues</i>	<u>4,404,630</u>	<u>4,357,235</u>	<u>47,395</u>
<b>Operating Expenses:</b>			
Supply and Treatment	1,220,273	1,177,016	43,257
Distribution	1,008,385	942,115	66,270
Administration, Billing, and Office	768,151	723,730	44,421
Board Expenses	15,292	13,000	2,292
Depreciation	595,395	719,241	(123,846)
<b>Non-Operating Expenses:</b>			
Interest	103,124	105,014	(1,890)
<i>Total Expenses</i>	<u>3,710,620</u>	<u>3,680,116</u>	<u>30,504</u>
<i>Income Before Contributions</i>	694,010	677,119	16,891
Capital Contributions	<u>83,036</u>	<u>736</u>	<u>82,300</u>
Change in Net Position	777,046	677,855	99,191
<i>Net Position at Beginning of Year</i>	<u>10,322,972</u>	<u>9,645,117</u>	<u>677,855</u>
<i>Net Position at End of Year</i>	<u><u>\$11,100,018</u></u>	<u><u>\$10,322,972</u></u>	<u><u>\$777,046</u></u>

**SCIOTO COUNTY REGIONAL WATER DISTRICT #1**

Management's Discussion and Analysis

For the Year Ended December 31, 2014

Unaudited

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**Capital Assets**

As of December 31, 2014, the District had invested approximately \$9 million in capital assets. This amount represents a net increase of \$552,050 over the prior year. The greatest increases to capital assets were projects in the District's distribution system. Construction and Assets in progress increased by \$312,826 with the construction in progress on the Minford Distribution Garage and other projects. Table 3 shows fiscal year 2014 balances compared to 2013.

**Table 3**  
**Capital Assets at December 31**

	<u>2014</u>	<u>2013</u>
Land	\$884,333	\$879,430
Construction and Assets in Progress	1,098,249	785,423
Source of Supply	1,494,397	1,487,816
Water Treatment Plant	4,776,149	4,568,588
Distribution System	12,667,984	12,225,934
Transportation Equipment	738,545	774,200
Office Furniture and Equipment	239,005	237,251
Other Equipment	1,500,138	1,366,705
Less: Accumulated Depreciation	<u>(14,323,669)</u>	<u>(13,802,266)</u>
Totals	<u>\$9,075,131</u>	<u>\$8,523,081</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 2014 by \$252,169. Total receipts collected were over \$4.37 million. The District's expenses (excluding depreciation) came in under budget by approximately \$142,325. This does not include depreciation expense of \$595,395. Excluding depreciation, the District expenses for 2014 totaled \$3,115,225.

**Debt Administration**

At December 31, 2014, the District had \$2,055,000 in bonds payable. The total OPWC loans payable is \$317,879. 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, 2014

Unaudited

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**Economic Factors**

The District's financial condition remains stable as upgrades and improvements to the system are completed. Additional money for capital improvement was obtained through a bond refunding. District expenses have been managed well and remained stable. Revenue increased in 2014 with the last rate increase being effective on January 1, 2013. Efforts to identify water loss continue in order to control costs, and the implementation of GIS project is helping with this issue. The local economic conditions continue to challenge the District with customer delinquency, water theft, and foreclosures. However, there was an increased purchase of water taps in 2014 which may show some improvement in the local economy. 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 the Kathie Edwards, Treasurer at Scioto Regional Water District #1 located at 326 Robert Lucas Road, Lucasville Ohio 45648, (740) 259-2301.

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**SCIOTO COUNTY REGIONAL WATER DISTRICT #1**

**SCIOTO COUNTY**

Statement of Net Position

December 31, 2014

**Assets:**

**Current Assets:**

Cash and Cash Equivalents	\$3,640,673
Accounts Receivable	767,345
Deposits	4,750
Prepaid Expenses	27,404
Inventories	141,421
<i>Total Current Assets</i>	<u>4,581,593</u>

**Non-Current Assets:**

Restricted Assets:	
Cash and Cash Equivalents	247,632
Capital Assets:	
Non-Depreciable Capital Assets	1,982,581
Depreciable Capital Assets, Net	7,092,550
Total Capital Assets	<u>9,075,131</u>

Total Non-Current Assets 9,322,763

*Total Assets* 13,904,356

**Deferred Outflows of Resources:**

Deferred Charges:	
Deferred Charges	<u>45,999</u>

**Liabilities:**

**Current Liabilities:**

Accounts Payable	270,266
Employee Withholding Payable	613
Unset Water Taps Payable	32,610
Compensated Absences Payable	80,851
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>509,227</u>

**Non-Current Liabilities:**

Long-Term Compensated Absences Payable	82,875
Capital Lease Payable	4,159
OPWC Loans Payable	284,076
Revenue Bonds Payable	<u>1,970,000</u>

Total Non-Current Liabilities 2,341,110

*Total Liabilities* 2,850,337

**Net Position:**

Invested in Capital Assets, Net of Related Debt	6,693,934
Restricted for Debt Service	247,632
Unrestricted	<u>4,158,452</u>

*Total Net Position* \$11,100,018

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, 2014

**Operating Revenues:**

Water Sales	\$4,308,454
Water Tap Sales	47,860
Lab Test Fees	3,184
Miscellaneous	18,253

*Total Operating Revenues*

4,377,751

**Operating Expenses:**

Supply and Treatment	1,220,273
Distribution	1,008,385
Administration, Billing, and Office	768,151
Board	15,292
Depreciation	595,395

*Total Operating Expenses*

3,607,496

*Operating Income*

770,255

**Non-Operating Revenues/(Expenses):**

Interest Income	6,643
Interest Expense	(103,124)
Gain on Sale of Capital Assets	20,236

*Total Non-Operating Revenues/(Expenses):*

(76,245)

*Income Before Contributions*

694,010

Capital Contributions from Other Governments

368

Capital Contributions from Grants

82,668

*Total Capital Contributions*

83,036

*Change in Net Position*

777,046

*Net Position at Beginning of Year*

10,322,972

*Net Position at End of Year*

\$11,100,018

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, 2014

**Increase (Decrease) in Cash and Cash Equivalents:**

**Cash Flows from Operating Activities:**

Cash Received from Customers	\$4,362,628
Cash Received from Others	15,185
Cash Payments to Suppliers and Vendors	(858,611)
Cash Payments to Employees for Services	<u>(1,942,922)</u>

*Net Cash Used for Operating Activities* 1,576,280

**Cash Flows from Capital and Related Financing Activities:**

Principal on Bond	(85,000)
Interest on Bond	(103,124)
OPWC Loans Principal	(33,803)
Capital Lease Principal	(4,159)
Proceeds from Grant funds	82,668
Proceeds from Contributed Revenue	368
Proceeds from Sale of Capital Assets	20,236
Payments for Capital Acquisitions	<u>(1,147,446)</u>

*Net Cash Used for Capital and Related Financing Activities* (1,270,260)

**Cash Flows from Investing Activities:**

Interest Earned	<u>6,643</u>
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*Net Increase in Cash and Cash Equivalents* 312,663

*Cash and Cash Equivalents at Beginning of Year* 3,575,642

*Cash and Cash Equivalents at End of Year* \$3,888,305

(continued)

**SCIOTO COUNTY REGIONAL WATER DISTRICT #1**

**SCIOTO COUNTY**

Statement of Cash Flows

For the Year Ended December 31, 2014

(continued)

**Reconciliation of Operating Income to Net**

**Cash Provided by Operating Activities:**

Operating Income \$770,255

**Adjustments to Reconcile Operating**

**Income to Net Cash Provided by Operating Activities:**

Depreciation 595,395

**Changes in Assets and Liabilities:**

(Increase) Decrease in Accounts Receivable 60

(Increase) Decrease in Prepaid Items 6,917

(Increase) Decrease in Inventories (8,562)

(Increase) Decrease in Deferred Charges 7,667

(Increase) Decrease in Deposits 100

Increase (Decrease) in Accounts Payable 175,848

Increase (Decrease) in Employee's Withholding Payable 77

Increase (Decrease) in Compensated Absences 28,523

*Total Adjustments* 806,025

*Net Cash Provided by Operating Activities* \$1,576,280

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, 2014

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**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 fund, department, board, 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

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

Notes To The Basic Financial Statements  
For The Year Ended December 31, 2014  
(Continued)

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**Measurement Focus and Basic of Accounting**

The District's operations are financed and operated in a manner similar to a 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 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.

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

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

Notes To The Basic Financial Statements  
For The Year Ended December 31, 2014  
(Continued)

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets (Continued)**

<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 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 2014, investments were limited to *U.S. Treasury Obligations, Star Ohio, and Star Plus*.

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

Notes To The Basic Financial Statements  
For The Year Ended December 31, 2014  
(Continued)

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**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 purposes.

**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 2014 was \$45,999.

**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 2014 were \$27,404.

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

Notes To The Basic Financial Statements  
For The Year Ended December 31, 2014  
(Continued)

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**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, 2014  
(Continued)

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**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 deposited or invested in the following securities:

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

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

Notes To The Basic Financial Statements  
For The Year Ended December 31, 2014  
(Continued)

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**NOTE 3 - EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)**

8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 Statement of Net Position 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 \$481,013. Of the bank balance at year end 2014, \$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, 2014:

	Carrying Amount	Fair Value
Star Ohio	\$0	\$0
Star Ohio Plus	3,159,260	3,159,260
Reserve Bond Trust-Cash Equivalents	189,409	189,409
Reserve Bond Payment-Cash Equivalents	58,223	58,223
Total Investments	<u>\$3,406,892</u>	<u>\$3,406,892</u>

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

Notes To The Basic Financial Statements  
For The Year Ended December 31, 2014  
(Continued)

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

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.

The District’s invest 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 as of December 31, 2014, are as follows:

	Balance 12/31/13	Additions	Deletions	Balance 12/31/14
Capital Assets Not Being Depreciated:				
Land	\$879,430	\$4,903	\$0	\$884,333
Construction and Assets in Progress	785,423	1,269,570	(956,745)	1,098,248
Total Capital Assets Not Being Depreciated:	1,664,853	1,274,473	(956,745)	1,982,581
Capital Assets Being Depreciated:				
Source of Supply	\$1,487,816	\$6,581	\$0	\$1,494,397
Water Treatment Plant	4,568,588	207,561	0	4,776,149
Distribution System	12,225,934	522,933	(80,883)	12,667,984
Transportation Equipment	774,200	37,137	(72,792)	738,545
Office Furniture and Equipment	237,251	1,754	0	239,005
Other Equipment	1,366,705	193,882	(60,450)	1,500,137
Total Capital Assets Being Depreciated	20,660,494	969,848	(214,125)	21,416,217
Less Accumulated Depreciation:				
Source of Supply	(1,069,890)	(47,181)	0	(1,117,071)
Water Treatment Plant	(3,376,764)	(122,269)	0	(3,499,033)
Distribution System	(7,414,844)	(297,339)	0	(7,712,183)
Transportation Equipment	(652,428)	(48,902)	72,793	(628,537)
Office Furniture and Equipment	(185,403)	(16,424)	0	(201,827)
Other Equipment	(1,102,937)	(63,280)	1,201	(1,165,016)
Total Accumulated Depreciation	(13,802,266)	(595,395)	73,994	(14,323,667)
Total Capital Assets				
Being Depreciated, Net	6,858,228	374,453	(140,131)	7,092,550
Capital Assets, Net	\$8,523,081	\$1,648,926	(\$1,096,876)	\$9,075,131

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

Notes To The Basic Financial Statements  
For The Year Ended December 31, 2014  
(Continued)

**NOTE 5 - DEBT OBLIGATIONS**

A schedule of changes in bonds and other long-term obligations of the District during 2014 follows:

	Amount Outstanding 12/31/13	Additions	Deletions	Amount Outstanding 12/31/14	Amounts Due in One Year
Water System Revenue Refunding & Improvement Bonds (2011)	\$2,140,000	\$ 0	\$ 85,000	\$2,055,000	\$ 85,000
OPWC Loans 1999-2013 (0.00%)	\$ 351,682	\$ 0	\$ 33,803	\$ 317,879	\$33,803
Compensated Absences	\$ 135,203	\$ 28,523	\$ 0	\$ 163,726	\$ 80,851
<b>Total</b>	<b><u>\$2,626,885</u></b>	<b><u>\$28,523</u></b>	<b><u>\$118,803</u></b>	<b><u>\$2,536,605</u></b>	<b><u>\$ 199,654</u></b>

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 a rate 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, 2014 are as follows:

Year Ending December 31	Improvement Bonds		OPWC Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	95,000	87,138	27,775	0	122,775	87,138
2020-2024	550,000	369,313	92,392	0	642,392	369,313
2025-2029	710,000	213,225	62,500	0	772,500	213,225
2030-2031	340,000	28,235	0	0	340,000	28,325
	<b><u>\$2,055,000</u></b>	<b><u>\$1,077,989</u></b>	<b><u>\$ 317,879</u></b>	<b><u>\$0</u></b>	<b><u>\$2,372,879</u></b>	<b><u>\$1,077,989</u></b>

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

Notes To The Basic Financial Statements  
 For The Year Ended December 31, 2014  
 (Continued)

**NOTE 6 - LEASE**

The District entered into an agreement to lease a copier during fiscal year 2011. The terms of the Agreement provides 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 assets for governmental activities in the amount of \$16,636 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 assets for governmental activities. Principal payments in fiscal year 2014 totaled \$4,159.

The asset acquired through the capital lease is as follows:

	Amount Outstanding <u>12/31/13</u>	Additions	Deletions	Amount Outstanding <u>12/31/14</u>	Amounts Due in One Year
Xerox Lease (2011)	\$ 12,477		\$ 4,159	\$ 8,318	\$ 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, 2014:

<u>Year Ending December 31</u>	<u>Xerox Lease</u>
2015	4,159
2016	4,159
Total Lease Payments	<u>\$ 8,318</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,

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

Notes To The Basic Financial Statements  
For The Year Ended December 31, 2014  
(Continued)

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**NOTE 7- RISK MANAGEMENT (Continued)**

inland marine and other coverage to its members sold through fourteen appointed independent agents in the State of Ohio.

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 774 and 783 members as of December 31, 2013 and 2014 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, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	<u>(7,968,395)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$ 5,805,909</u>	<u>\$5,887,861</u>

The complete audited financial statements for OPRM can be read at the Plan's website [www.ohioplan.org](http://www.ohioplan.org).

**NOTE 8 - PENSION PLAN**

The District participated 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.

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

Notes To The Basic Financial Statements  
For The Year Ended December 31, 2014  
(Continued)

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**NOTE 8 - PENSION PLAN (Continued)**

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 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 2014, 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 2014 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 13.00%, respectively. The 2014 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, 2012, 2013, and 2014 was \$196,617, \$186,104, and \$195,068 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;

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

Notes To The Basic Financial Statements  
For The Year Ended December 31, 2014  
(Continued)

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**NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)**

the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan does 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. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

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 2014, 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 fund 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, 2014  
(Continued)

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**NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)**

The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 2% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2% 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, 2014 was \$27,856.

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 4.0% 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, 2014, the total vested liability for accumulated unpaid vacation, sick leave and compensatory time recorded was \$163,726.

**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.



# 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 Regional Water District #1, Scioto County, (the District) as of and for the year ended December 31, 2014,, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 5, 2016.

### ***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 opinion 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 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 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 5, 2016



# 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  
FEBRUARY 23, 2016**