



Dave Yost • Auditor of State



TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY  
DECEMBER 31, 2017

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# Dave Yost • Auditor of State

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

Tri-Cities North Regional Wastewater Authority  
Montgomery County  
3777 Old Needmore Road  
Dayton, Ohio 45424

To the Board of Trustees:

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 Tri-Cities North Regional Wastewater Authority, Montgomery County, (the Authority) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated May 17, 2018.

### ***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 report 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 "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 17, 2018

**TRI-CITIES NORTH  
REGIONAL WASTEWATER  
AUTHORITY**

Montgomery County, Ohio

**Comprehensive Annual  
Financial Report**

For Year Ending December 31, 2017





# *Tri-Cities North Regional Wastewater Authority*

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Montgomery County, Ohio

Comprehensive Annual Financial Report

For the Year Ended December 31, 2017

Prepared By: David J. Heckler General Manager
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***Tri-Cities North Regional Wastewater Authority***  
***Montgomery County, Ohio***  
**Comprehensive Annual Financial Report**  
**Year ended December 31, 2017**

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## INTRODUCTORY SECTION





May 17, 2018

Citizens, Taxpayers and Consumers of the Cities of Huber Heights, Vandalia and Tipp City  
Board of Participants of Tri-Cities North Regional Wastewater Authority  
Mayors and Members of Council of the Cities of Huber Heights, Vandalia and Tipp City  
Tri-Cities North Regional Wastewater Authority Finance Committee Members  
Tri-Cities North Regional Wastewater Authority Technical Committee Members  
Tri-Cities North Regional Wastewater Authority Planning and Development Committee Members

I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the Tri-Cities North Regional Wastewater Authority (Tri-Cities). This report for the year ended December 31, 2017, contains the financial statements and other financial and statistical data that provide complete and full disclosure of all material financial aspects of Tri-Cities.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

The Ohio Auditor of State, have issued an unmodified (“clean”) opinion on the Tri-Cities North Regional Wastewater Authority financial statements for the year ended December 31, 2017. The auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

### **Profile of the Government**

Located on a hillside, near the intersection of State Route 202 and Needmore Road, is the wastewater treatment facility that serves the cities of Huber Heights, Vandalia and Tipp City. After two years of serious negotiations, these cities assumed full ownership of this facility from the Miami Conservancy District in an unprecedented acquisition that closed on June 11, 1996.

Under the provisions of Ohio Revised Code Section 715.02, the cities of Huber Heights, Vandalia and Tipp City signed a joint venture agreement to create Tri-Cities North Regional Wastewater Authority. Through Tri-Cities, the cities have full responsibility for the North Regional Wastewater Treatment Plant and associated facilities. Tri-Cities mission is to provide cost effective, environmentally responsible, and reliable wastewater treatment services for the cities of Huber Heights, Vandalia, and Tipp City. This mission is accomplished through the efforts of the professional staff that manages, operates and maintains the facilities, which include 10 miles of interceptor sewer, an innovative and advanced wastewater treatment plant, and a dedicated farm for bio-solids reuse. Tri-Cities facilities are often toured by schools, civic groups, and others interested in learning how technology and science, combined with the dedication of a talented professional staff, can preserve and enhance our irreplaceable water resource.

Prior to June of 1996, the Miami Conservancy District provided the Cities of Huber Heights, Vandalia, and Tipp City with wastewater treatment services. The Miami Conservancy District expressed the intent to discontinue these services to the cities and gave them the option to acquire and operate the facility themselves. In order to do so, the three cities established the Tri-Cities North Regional Wastewater Authority. In June of 1996, the Miami Conservancy District deeded the wastewater facility and all of the assets and liabilities associated with the facility to the joint venture at no cost to the joint venture. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Tri-Cities is a stand-alone government that is governed by a board of participants consisting of the city managers of the three cities. The board has complete authority over all aspects of the operation. Tri-Cities has no component units.

An annual operating budget is adopted for management purposes. Budget information is reported to the board of participants, and modifications may only be made by resolution of the board.

### **Items of Interest**

Tri-Cities wastewater-treatment plant utilizes physical, biological and chemical processes to treat wastewater collected from the cities of Huber Heights, Vandalia and Tipp City. The wastewater treatment process is very similar to that which occurs naturally in rivers and lakes, however; wastewater treatment plants are designed to speed up and enhance the natural cleaning process. The physical processes, the “primary” steps in treating wastewater, utilize screens, settling tanks and skimming devices to remove about half of the pollutants - mostly sand, grit and other heavy or large solids typically found in wastewater. The “secondary” step is a biological one where micro-organisms feed on the waste remaining in the water until about 85% of the pollutants are removed. A separate, advanced secondary step biologically removes ammonia. With more than 95% of the pollutants removed, the wastewater is chemically disinfected before it is released into the Great Miami River.



The organic solids removed in these treatment processes are further treated and stabilized to meet stringent regulatory standards for reuse as agricultural fertilizer. A dedicated pipeline was constructed as part of the north regional wastewater system to convey the stabilized sludge seven miles north to Tri-Cities dedicated farm where it is temporarily stored in strategically placed tanks. Pumping sludge to the farm has allowed Tri-Cities to avoid the expense of owning, operating and maintaining a fleet of semi trucks and trailers. While this not only reduces wear and tear on city and county roads, it also minimizes workers' safety issues. Historically, at certain times of the year, sludge was withdrawn from the storage tanks into specially equipped field tankers pulled by tractors. Tri-Cities began use of a new dragline system in 2003 that greatly improved the efficiency of sludge injection because it replaces the use of tankers on most of Tri-Cities fields. This new umbilical type of operation involves pumping sludge directly to the tractor that pulls the hose and injection tool across the fields. Ultimately, sludge is incorporated directly into the soil approximately four inches below the surface where nutrients from the sludge enrich the soil and provide 100% of the nitrogen needed for the grain crops grown on this farm. Reusing the sludge in this way has eliminated the use of commercial fertilizers.

In addition to returning clean water to the river and nutrients to the soil, the north regional wastewater treatment plant is equipped with internal combustion engines fueled with methane gas, a byproduct of the sludge stabilization process. These engines turn generators that produce much of the electricity needed to pump the north regional interceptor sewer influent to the head works of the treatment plant.

Tri-Cities is equipped with a customized sewer maintenance and inspection vehicle used to inspect, evaluate and monitor the sanitary sewers that convey sewage to the treatment plant. A digital video camera, purchased in 2006, is lowered into the sewers and records their condition on a computer system. To aid in overall inspection and sewer line assessment, Tri-Cities purchased a combination jet/vac unit in 2005. This piece of equipment is truck mounted and is used to clean the lines using high pressure water jets in combination with a vacuum system to remove debris from the lines when necessary. Tri-Cities purchased a slip lining system in 2012 which allows for immediate repair of line defects discovered during inspections. This has replaced the use of a grout packer which was often used to seal minor leaks. The inspection vehicle is also equipped with an ElectroScan inspection system purchased in 2013 which utilizes a new technology to detect line defects and prioritize needed repairs. Another inspection vehicle was purchased in 2016 that is equipped with an inspection camera and special cutter tool used to remove mineral buildup blockages and/or pipe protrusions prior to the line being repaired with the slip lining system purchased in 2012. Additionally, portable flow meters are used to measure how much wastewater flows through segments of the sewer system. Flow data is useful in identifying where leaks and unauthorized connections may be contributing to rainfall induced high flows.

An on-site laboratory is used to conduct hundreds of tests each year. These tests are performed by operations staff and certified laboratory professionals. Test results are used to evaluate treatment process performance and to monitor compliance with permit limits. Samples are collected from various locations in the sewer system and the treatment plant as well as from groundwater monitoring wells at the farm. Samples from the Great Miami River are also collected upstream and downstream of the north regional wastewater treatment plant discharge point to monitor potential impacts on the river.

From the collection of raw wastewater to the reuse of stabilized sludge, the north regional facilities are proudly operated and maintained for Tri-Cities by a private operations contractor. An agreement for contract operation and maintenance has been in place since the facilities first came online in 1985, and employee training and certification is ongoing by the contractor to ensure quality performance and compliance with Tri-Cities wastewater discharge permit.

Efficiency, compliance and safety were key ingredients in the design of the north regional wastewater treatment facilities, and continue to be the three goals in day-to-day operations and maintenance. With the aid of programmable controllers and computerized monitoring systems, the north regional facilities are staffed just one shift per day, five days a week.

### **Local Economy**

Each of Tri-Cities member cities continue to experience an increase in the rate of growth in housing and new subdivisions currently being built. Manufacturing and commercial activity in Tri-Cities service area is also increasing as it is throughout other portions of Ohio and the nation. This affects Tri-Cities because industries often are monitored through Tri-Cities Industrial Pretreatment Program designed to work with industries to make certain that pollutants are treated on-site and not discharged into the sewer system. The increase in manufacturing and other commercial development has resulted in a significant increase in Industrial Pretreatment activity.

### **Long-term Financial Planning**

Tri-Cities had a decrease of \$12,884 in net position during 2017. With continued sound fiscal management coupled with the assistance of members of Tri-Cities Finance Committee only slight changes in net position are expected from year to year. Tri-Cities financial condition is relatively constant and the intent is not to profit from its operations but to recover costs. Tri-Cities continues to invest in its wastewater treatment plant through capital improvements and periodic upgrades of equipment but rates charged for wastewater treatment usage continues to remain constant.

### **Relevant Financial Policies**

It is the policy of Tri-Cities to invest public funds in a manner which will provide the highest investment return with maximum security, while meeting daily cash flow demands. Investment objectives in order of priority are safety of principal, liquidity, diversification and public confidence. Compliance with this policy provides Tri-Cities reasonable return while protecting principal during varying economic conditions and allows Tri-Cities to meet its cash flow obligations.

Tri-Cities adopts an annual budget, which has proven beneficial through a process which involves the general manager preparing a budget draft which is reviewed and modified as necessary by each of Tri-Cities committees prior to a recommended draft being presented for Board consideration. Tri-Cities management follows a continuous improvement approach to meet its mission and contain costs. It is worth noting that Tri-Cities annual operations and maintenance revenue requirement is the same today that it was in 1996 as the entity has not raised rates since its inception.

## Major Initiatives

A \$4.81 million construction contract for a new pumping station and equalization basins designed to contain and convey high flows during extreme wet weather events was completed in 2015 and has functioned as intended resulting in zero sanitary sewer overflows (SSO's) during 2017.

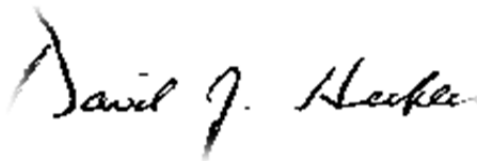
In March of 2017, the primary anaerobic digester at the treatment plant over-pressurized and the dome that contains methane gas and stabilized biosolids was lifted off its foundation. This was the direct result of operator error by one of Tri-Cities' contract operations employees and the event caused catastrophic damage to the dome which ultimately had to be removed and is being repaired so it can be put back in place and back in use. As a consequence, daily primary sludge that typically is fed into the primary digester has been and continues to be dewatered with a filter press and the dewatered biosolids disposed of in a landfill. Insurance claims for the event were filed and are being assessed. It is anticipated that the primary digester will be put back in service in late 2018.

In order to comply with new Ohio EPA regulations for final effluent water quality, Tri-Cities designed and began construction of the Disinfection Improvements Project which includes construction of a new building to house liquid chemicals and chemical feed equipment for disinfection and neutralization of final effluent. Funding for the project was provided by the Ohio Water Development Authority with Tri-Cities borrowing \$2.67M at 2.38% and 10 year term. This project is very significant as Tri-Cities previously used gaseous chlorine and sulfur dioxide for disinfection and neutralization and the new liquid chemicals are much safer to handle, store and feed. At year end, the project was on schedule and within budget.

## Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Tri-Cities North Regional Wastewater Authority, Ohio, for its Comprehensive Annual Financial Report for the year ended December 31, 2016. This was the sixteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. I believe this report conforms to the Certificate of Achievement Program requirements, and I am submitting it to GFOA to determine its eligibility for another certificate.

I want to especially thank Brenda K. Gossett who contributed much time and effort in helping me prepare this report and I also thank Lorrie Miller of Lennon & Company for assistance in preparing this report.



David J. Heckler  
General Manager

*Tri-Cities North Regional Wastewater Authority  
Montgomery County, Ohio*

List of Principal Officials  
For the Year Ended December 31, 2017

Board of Trustees

Tim Eggleston	City Manager, City of Tipp City
Rob Schommer	City Manager, City of Huber Heights
Jon Crusey	City Manager, City of Vandalia

Appointed Official

David J. Heckler	General Manager and Assistant Secretary
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Finance Committee

Bridgette Leiter	Finance Director, City of Vandalia
John Green	Finance Director, City of Tipp City
James A. Bell	Finance Director, City of Huber Heights

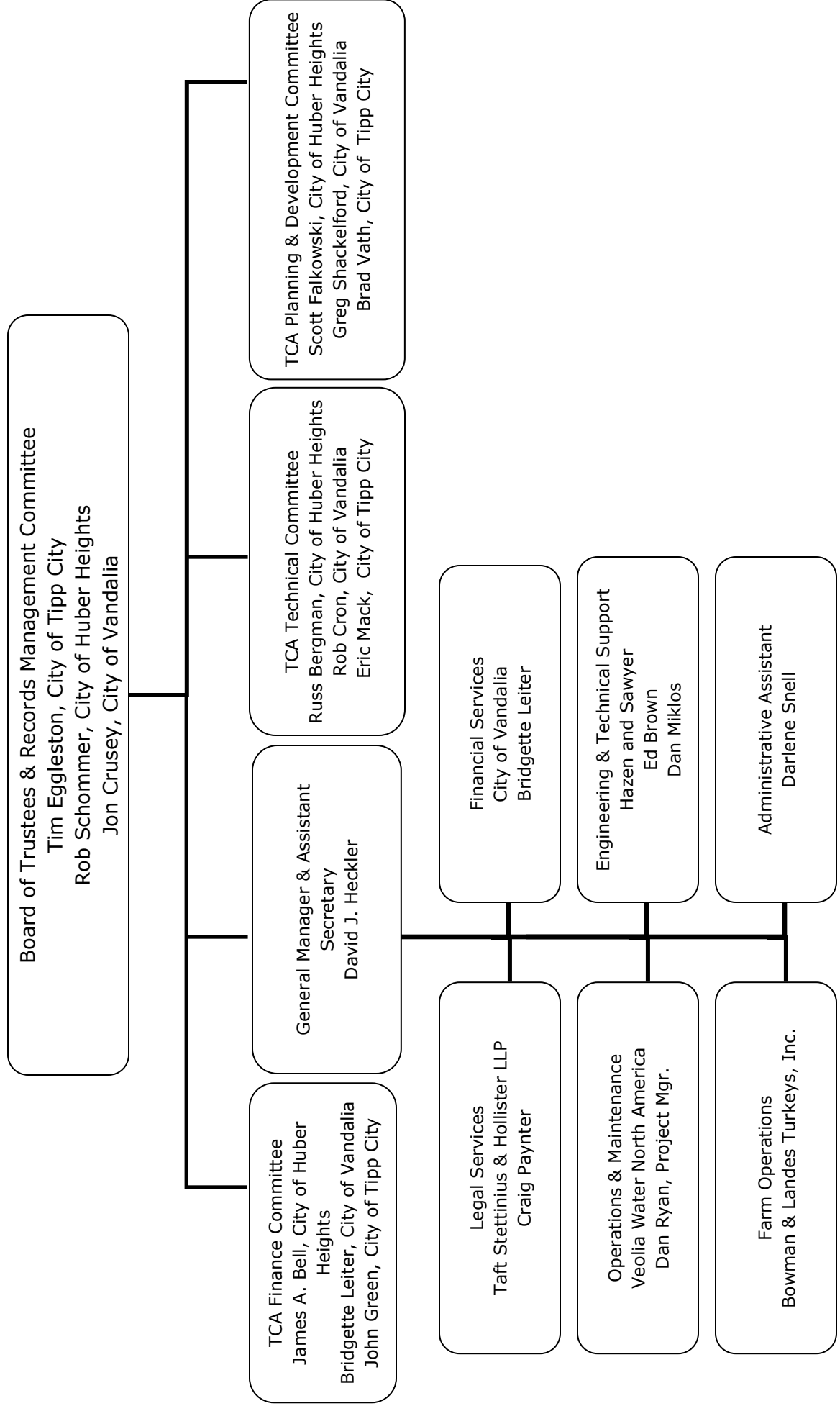
Technical Committee

Russ Bergman	City Engineer, City of Huber Heights
Rob Cron	Director, Public Works, City of Vandalia
Eric Mack	Deputy Director of Municipal Services and Engineering, City of Tipp City

Planning and Development Committee

Scott Falkowski	Assistant City Manager, City of Huber Heights
Greg Shackelford	Assistant City Manager, City of Vandalia
Brad Vath	Assistant City Manager, City of Tipp City

# TCA Organization 2017





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Tri-Cities North Regional  
Wastewater Authority, Ohio**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2016**

*Christopher P. Morill*

Executive Director/CEO

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## FINANCIAL SECTION







# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Tri-Cities North Regional Wastewater Authority  
Montgomery County  
3777 Old Needmore Road  
Dayton, Ohio 45424

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Tri-Cities North Regional Wastewater Authority, Montgomery County, Ohio (the Authority), as of and for the year ended December 31, 2017, 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 accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 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 audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tri-Cities North Regional Wastewater Authority, Montgomery County as of December 31, 2017, 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*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the Authority's basic financial statements taken as a whole.

The introductory section, the financial section's supplementary budget information, and the statistical section information present additional analysis and are not a required part of the basic financial statements.

The supplementary budget information is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2018, 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.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 17, 2018

**Tri-Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017  
Unaudited

The discussion and analysis of Tri-Cities North Regional Wastewater Authority's (Tri-Cities) financial performance provides an overall review of the financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at Tri-Cities financial performance as a whole and readers should also review the transmittal letter, notes to the basic financial statements, and the financial statements to enhance their understanding of Tri-Cities financial performance.

**Financial Highlights**

Key financial highlights for 2017 are as follows:

- Total net position decreased \$12,884 which represents a 0.04% decrease from 2016.
- Total assets decreased \$11,286 which represents a 0.03% decrease from 2016.
- Total liabilities increased by \$23,824. Current liabilities decreased \$152,060. Long-term liabilities increased by \$175,884. These variances are resulting primarily from a decrease in amounts due to related parties and an increase in OWDA loans.
- Charges for services remained constant due to no change in the current charge to member cities of not more than \$1.25 per thousand gallons of usage.

**Using this Financial Report**

The financial section consists of several parts, the management's discussion and analysis, the basic financial statements, the required supplementary information and an optional section that contains budgetary information. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in fund net position, and a statement of cash flows. Since Tri-Cities only uses one fund for its operations, the entity wide and the fund presentation information is the same.

**Statement of Net Position**

The Statement of Net Position answers the question, "How did we do financially during 2017?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, deferred outflows of resources, and deferred inflows of resources, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports Tri-Cities net position, however, in evaluating the overall position of Tri-Cities, non-financial information such as changes in the condition of Tri-Cities capital assets will also need to be evaluated.

**Tri-Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017  
Unaudited

Table 1 provides a summary of Tri-Cities net position for 2017 compared to 2016:

*Table 1*  
*Net Position*

	<u>2017</u>	<u>2016</u>
<b><u>Assets:</u></b>		
<i>Current and other assets</i>	\$ 4,455,641	\$ 4,632,174
<i>Capital assets, net of depreciation</i>	<u>33,626,729</u>	<u>33,461,482</u>
<i>Total assets</i>	<u>38,082,370</u>	<u>38,093,656</u>
<b><u>Deferred outflows of resources</u></b>		
<i>Pension</i>	<u>68,045</u>	<u>48,666</u>
<b><u>Liabilities:</u></b>		
<i>Current and other liabilities</i>	299,990	455,878
<i>Long-term liabilities:</i>		
<i>Due within one year</i>	641,349	637,521
<i>Net pension liability</i>	170,539	125,752
<i>Other amounts due in more than one year</i>	<u>6,969,796</u>	<u>6,838,699</u>
<i>Total liabilities</i>	<u>8,081,674</u>	<u>8,057,850</u>
<b><u>Deferred inflows of resources</u></b>		
<i>Pension</i>	<u>2,687</u>	<u>5,534</u>
<b><u>Net Position:</u></b>		
<i>Net investment in capital assets</i>	26,015,554	25,985,262
<i>Unrestricted</i>	<u>4,050,500</u>	<u>4,093,676</u>
<i>Total net position</i>	<u>\$ 30,066,054</u>	<u>\$ 30,078,938</u>

The net position of Tri-Cities decreased \$12,884 or 0.04%. With usage rates generating revenue, which reasonably matches expenses, the financial condition of Tri-Cities is relatively constant. Tri-Cities is continuously investing in its wastewater treatment plant through capital improvements and periodic upgrades of associated equipment. The reader must remember that Tri-Cities intent is not to profit from this operation but to recover costs. Unrestricted net position decreased by \$43,176, and net investment in capital assets increased by \$30,292. Total liabilities increased \$23,824, which was due to an increase in the long-term liabilities as mentioned above.

**Tri-Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017  
Unaudited

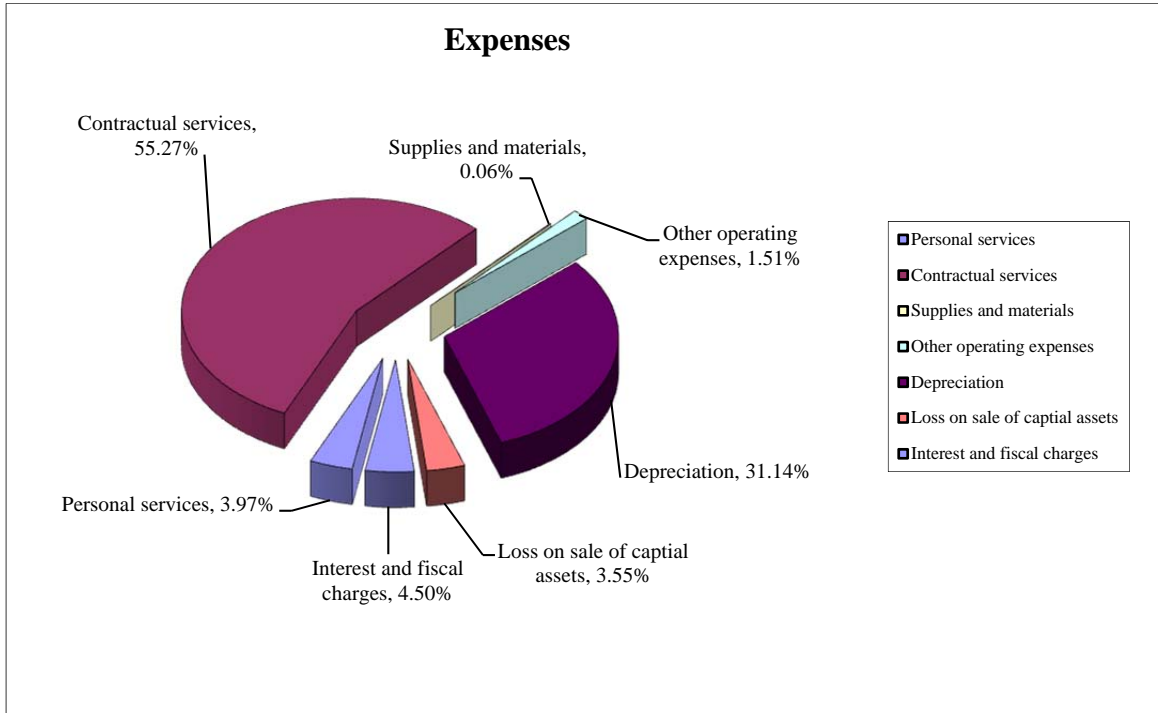
Table 2 shows the changes in net position for the year ended December 31, 2017, as well as revenue and expense comparisons to 2016.

*Table 2*  
*Change in Fund Net Position*

	<u>2017</u>	<u>2016</u>
<u>Operating revenues:</u>		
Charges for services	\$ 3,273,972	\$ 3,268,799
Rentals	124,355	132,065
Other revenues	179,848	3,162
Total operating revenues	<u>3,578,175</u>	<u>3,404,026</u>
<u>Operating expenses:</u>		
Personal services	144,034	118,601
Contractual services	2,011,567	2,613,175
Materials and supplies	2,225	1,750
Other operating expenses	55,081	11,602
Depreciation	1,133,168	1,147,141
Total operating expenses	<u>3,346,075</u>	<u>3,892,269</u>
Operating income (loss)	<u>232,100</u>	<u>(488,243)</u>
<u>Nonoperating revenues (expenses):</u>		
Intergovernmental	7,630	14,837
Interest income	40,562	21,235
Loss on sale of capital asset	(129,352)	-
Interest and fiscal charges	(163,824)	(185,692)
Total nonoperating revenues (expenses)	<u>(244,984)</u>	<u>(149,620)</u>
Decrease in net position	(12,884)	(637,863)
Net position at beginning of year	<u>30,078,938</u>	<u>30,716,801</u>
Net position at end of year	<u>\$ 30,066,054</u>	<u>\$ 30,078,938</u>

Tri-Cities statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows. Tri-Cities is also reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting in the statement of net position.

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The interest expense of \$163,824 for 2017 resulted from outstanding loans from the Ohio Water Development Authority (OWDA).

Contractual services make up 55.27% of Tri-Cities expenses. Tri-Cities north regional facilities are operated and maintained for Tri-Cities by a private operations contractor. These expenses are recorded as contractual services. For 2017, contractual services decreased \$601,608 from the prior year.

In a prior year, Tri-Cities implemented the accounting standard for pension plans. As a result of implementing the new accounting standard, Tri-Cities is reporting a significant net pension liability, related deferred inflows of resources and an increase in expenses related to pension for this fiscal year which have a negative effect on net position. In addition, Tri-Cities is reporting deferred outflows of resources, which have a positive consequence on net position. The increase in pension expense is the difference between the contractually required contributions and the pension expense resulting from the change in the net pension liability that is not reported as deferred inflows or outflows. To further explain the impact of this new accounting standard on Tri-Cities net position, additional information is presented below.

	<u>2017</u>	<u>2016</u>
<i>Deferred outflows - pension</i>	\$ 68,045	\$ 48,666
<i>Deferred inflows - pension</i>	(2,687)	(5,534)
<i>Net pension liability</i>	<u>(170,539)</u>	<u>(125,752)</u>
<i>Impact of GASB 68 on net position</i>	<u>\$ (105,181)</u>	<u>\$ (82,620)</u>

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**Capital Assets and Debt Administration**

**Capital Assets**

*Table 3*  
*Capital Assets, at Year End*  
*(Net of Depreciation)*

	<u>2017</u>	<u>2016</u>
<i>Land</i>	\$ 3,918,235	\$ 3,918,235
<i>Construction in progress</i>	1,378,502	73,670
<i>Infrastructure</i>	2,150,386	2,260,410
<i>Buildings and improvements</i>	22,845,642	23,649,225
<i>Machinery and equipment</i>	3,296,076	3,514,078
<i>Vehicles</i>	<u>37,888</u>	<u>45,864</u>
<i>Total capital assets</i>	<u>\$ 33,626,729</u>	<u>\$ 33,461,482</u>

A review of Table 3 shows that capital assets (net of depreciation) increased \$165,247. The increase is due current year additions, mainly construction in progress exceeding current year depreciation expense.

See Note 4 of the notes to the basic financial statements for more detailed information.

**Debt**

At December 31, 2017, Tri-Cities had three outstanding OWDA loans totaling \$7,611,175; \$641,379 of which is due within one year. This reflects a \$134,955 overall increase from 2016.

*Table 4*  
*Outstanding Debt, at Year End*

	<u>2017</u>	<u>2016</u>
<i>OWDA loans payable:</i>		
<i>2000 OWDA loan, 4.66%</i>	\$ 431,577	\$ 542,634
<i>2001 OWDA loan, 0.27%</i>	1,482,736	1,776,890
<i>2013 OWDA loan, 2.84%</i>	4,949,390	5,156,696
<i>2017 OWDA loan, 2.38%</i>	<u>747,472</u>	<u>-</u>
<i>Totals</i>	<u>\$ 7,611,175</u>	<u>\$ 7,476,220</u>



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The 2000 loan was issued for the nitrification process improvement project and it matures in 2021. The 2001 loan was issued for the Ross Road pumping station improvements project and it matures in 2022. The 2013 loan carrying a 2.84% interest rate was issued for the Comprehensive plan/modeling sanitary sewer system project and it matures in 2034. The 2017 loan carrying a 2.38% interest rate was issued for the disinfection facility project. This loan is not yet finalized and a repayment schedule has not been established.

See Note 5 of the notes to the basic financial statements for more detailed information.

**Current Financial Issues and Concerns**

At December 31, 2017, Tri-Cities had total assets of \$38,082,370 and total net position of \$30,066,054 which resulted from a change in fund net position of \$(12,884). Ongoing prudent management of Tri-Cities resources by the Board of Trustees provided financial stability during 2017.

**Contacting Tri-Cities**

This financial report is designed to provide the citizens, taxpayers and consumers of the cities of Huber Heights, Vandalia and Tipp City, creditors and investors with a general overview of Tri-Cities finances and to show Tri-Cities accountability for the monies it receives. If you have any questions about this report or need additional financial information, contact David J. Heckler, Tri-Cities General Manager, 3777 Old Needmore Road, Dayton, Ohio 45424, at (937) 236-6558 or email to [dheckler@tri-cities.org](mailto:dheckler@tri-cities.org).

***Tri-Cities North Regional Wastewater Authority***  
**Montgomery County, Ohio**  
**Statement of Net Position**  
**December 31, 2017**

Assets:

Current assets:

Equity in pooled cash and cash equivalents	\$ 3,319,944
Investments	747,660
Receivables:	
Accounts	936
Accounts from related parties	271,869
Accrued interest	3,444
Due from other governments	3,582
Prepaid items	108,206
Total current assets	<u>4,455,641</u>

Noncurrent assets:

Capital assets:

Land	3,918,235
Construction in progress	1,378,502
Depreciable capital assets, net	<u>28,329,992</u>
Total noncurrent assets	<u>33,626,729</u>
Total assets	<u>38,082,370</u>

Deferred outflows of resources:

Pension	<u>68,045</u>
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Liabilities:

Current liabilities:

Accounts payable	188,441
Contracts payable	25,950
Due to related parties	334
Accrued wages and benefits	1,059
Compensated absences payable	1,552
Due to other governments	285
Accrued interest payable	82,339
OWDA loans payable	<u>641,379</u>
Total current liabilities	<u>941,339</u>

Long-term liabilities:

OWDA loans payable, net of current portion	6,969,796
Net pension liability	<u>170,539</u>
Total long-term liabilities	<u>7,140,335</u>
Total liabilities	<u>8,081,674</u>

Deferred inflows of resources:

Pension	<u>2,687</u>
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Net position:

Net investment in capital assets	26,015,554
Unrestricted	<u>4,050,500</u>
Total net position	<u>\$ 30,066,054</u>

See accompanying notes to the basic financial statements.

***Tri-Cities North Regional Wastewater Authority***  
**Montgomery County, Ohio**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended December 31, 2017**

<u>Operating revenues:</u>	
Charges for services	\$ 3,273,972
Rental income	124,355
Other	179,848
Total operating revenue	<u>3,578,175</u>
<u>Operating expenses:</u>	
Personal services	144,034
Contractual services	2,011,567
Supplies and materials	2,225
Other operating costs	55,081
Depreciation	1,133,168
Total operating expenses	<u>3,346,075</u>
Operating income	<u>232,100</u>
<u>Nonoperating revenues (expenses):</u>	
Intergovernmental	7,630
Interest	40,562
Loss on sale of capital assets	(129,352)
Interest and fiscal charges	(163,824)
Total nonoperating revenues (expenses)	<u>(244,984)</u>
Change in net position	(12,884)
Net position at beginning of year	<u>30,078,938</u>
Net position at end of year	<u>\$ 30,066,054</u>

See accompanying notes to the basic financial statements.

# ***Tri-Cities North Regional Wastewater Authority***

**Montgomery County, Ohio**

## **Statement of Cash Flows**

**For the Year Ended December 31, 2017**

Cash flows from operating activities:

Cash received from customers	\$ 3,577,903
Cash payments for employee services and benefits	(120,173)
Cash payments to suppliers for goods and services	(2,320,787)
Net cash provided by operating activities	<u>1,136,943</u>

Cash flows from noncapital financing activities:

Cash payments from subsidy	<u>8,552</u>
Net cash provided by noncapital financing activities	<u>8,552</u>

Cash flows from capital and related financing activities:

Proceeds of loans	736,773
Interest paid on debt	(176,761)
Principal payment on loans	(597,857)
Proceeds from the sale of capital assets	4,011
Acquisition of capital assets	(1,431,778)
Net cash used for capital and related financing activities	<u>(1,465,612)</u>

Cash flows from investing activities:

Sale of investments	1,499,125
Investment income	34,413
Net cash provided by investing activities	<u>1,533,538</u>

Net increase in cash and cash equivalents 1,213,421

Cash and cash equivalents at beginning of year 2,106,523

Cash and cash equivalents at end of year \$ 3,319,944

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 232,100
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,133,168
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(272)
Prepaid items	(103,672)
Increase in deferred outflows of resource	(19,379)
Increase (decrease) in liabilities:	
Accounts payable	14,039
Contracts payable	15,563
Due to related parties	(177,685)
Accrued wages and benefits	21
Compensated absences	1,026
Due to other governments	94
Net pension liability	44,787
Decrease in deferred inflows of resources	(2,847)
Net cash provided by operating activities	<u>\$ 1,136,943</u>

Non-cash capital and related financing activities:

Proceeds of loans from OWDA	<u>\$ 10,699</u>
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Noncash investing activities:

Change in the fair value of investments	<u>\$ 5,925</u>
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See accompanying notes to the financial statements.

**Tri-Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2017

**Note 1 – Summary of Significant Accounting Policies and Description of the Reporting Entity**

A. Description of the Reporting Entity

The Tri-Cities North Regional Wastewater Authority (“Tri-Cities”) is a joint venture among the cities of Vandalia, Tipp City and Huber Heights. Tri-Cities is a stand-alone government which is governed by a management board of trustees consisting of the city managers of the three member cities. The board has complete authority over all aspects of the operation. Tri-Cities supplies all participating residents of the member cities with sewage treatment services. Each city owns the sewage lines located in its city and bills its residents for the treatment service provided by Tri-Cities.

Tri-Cities board has retained an outside contractor to manage daily operations. These amounts are recorded as contractual services expense. Tri-Cities board has also hired a General Manager to oversee the management of daily operations. These amounts are recorded as personal services expense.

Tri-Cities charges each member city for sewage treatment services provided to the cities’ residents in accordance with the joint venture agreement dated June 11, 1996. Such charges are allocated based upon each city’s annual usage and are adjusted each year accordingly. The continued existence of Tri-Cities is dependent upon the participation of each member city, and each participating city has an equity interest in Tri-Cities. The following is a schedule of the participating cities’ equity interest at December.

	<u>2017</u>	<u>2016</u>
<i>Vandalia</i>	26.94%	26.12%
<i>Tipp City</i>	21.77%	22.08%
<i>Huber Heights</i>	<u>51.29%</u>	<u>51.80%</u>
	<u>100.00%</u>	<u>100.00%</u>

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

***Tri-Cities North Regional Wastewater Authority***

***Montgomery County, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

**B. Reporting Entity**

The reporting entity is comprised of the stand-alone government, component units and other organizations that are included to ensure that the financial statements of Tri-Cities are not misleading. The stand-alone government consists of all departments, boards and agencies that are not legally separate from Tri-Cities.

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

**C. Basis of Presentation**

The Tri-Cities North Regional Wastewater Authority basic financial statements consist of a statement of net position, a statement of revenue, expenses and changes in fund net position, and a statement of cash flows.

Tri-Cities use a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

**D. Measurement Focus**

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets, liabilities, deferred outflows of resources and deferred inflows of resources associated with the operation of Tri-Cities are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how Tri-Cities finances and meets the cash flow needs of its enterprise activity.

***Tri-Cities North Regional Wastewater Authority***

***Montgomery County, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Tri-Cities financial statements are prepared using the accrual basis of accounting.

Revenue is recorded on the accrual basis when the exchange takes place. Expenses are recognized at the time they are incurred.

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For Tri-Cities, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 8.

In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Tri-Cities, deferred inflows of resources are related to pension and are reported on the statement of net position. (See Note 8)

F. Investments

During 2017, investments included government sponsored mortgage-backed securities and an interest in STAR Ohio, the State Treasurer's Investment Pool. Investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's current share price.

Tri-Cities investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by Tri-Cities. Tri-Cities measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2017, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with an original maturity of three months or less at the time of purchase are reported as cash equivalents on the financial statements.

***Tri-Cities North Regional Wastewater Authority***

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Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded.

H. Capital Assets

Capital assets utilized by Tri-Cities are reported on the statement of net position. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. Tri-Cities maintains a capitalization threshold of one thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
<i>Infrastructure</i>	<i>65 years</i>
<i>Buildings and improvements</i>	<i>45-50 years</i>
<i>Machinery and equipment</i>	<i>5-15 years</i>
<i>Vehicles</i>	<i>6 years</i>

Tri-Cities policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset.

I. Net pension liability and pension expense

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.



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Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

The current accounting standard requires Tri-Cities to report their proportionate share of the net pension liability using the earning approach to pension accounting instead of the funding approach as previously used. The funding approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. Under the new standards, the net pension liability equals Tri-Cities proportionate share of the pension plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. The unfunded portion of this benefit of exchange is a liability of Tri-Cities. However, Tri-Cities is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the plan.

There is no repayment schedule for the net pension liability. Tri-Cities has no control over the changes in the pension benefits, contributions rate, and return on investments affecting the balance of the net pension liability. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to service already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes employees currently eligible to receive termination benefits and those Tri-Cities has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and the employee's wage rate at year-end, taking into consideration any limits specified in Tri-Cities termination policy.

**K. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Tri-Cities or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Tri-Cities applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. Tri-Cities did not have a restricted net position for 2017.

*Tri-Cities North Regional Wastewater Authority*

*Montgomery County, Ohio*

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

L. Operating and Nonoperating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For Tri-Cities, these revenues are charges for services, rentals, and miscellaneous reimbursements. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of Tri-Cities.

Nonoperating revenues are those revenues that are not generated directly from primary activities. For Tri-Cities, this revenue is interest income. Nonoperating expenses are costs other than those necessary costs incurred to provide the goods or services that are the primary activity of Tri-Cities.

M. Contributions of Capital

Contributions of capital arise from outside contributions of capital assets or outside contributions of resources restricted to capital acquisition and construction. Tri-Cities did not have any capital contributions during 2017.

N. Estimates

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

**Note 2 – Deposits and Investments**

The investment and deposit of Tri-Cities monies are governed by the Investment and Deposit Policy of Tri-Cities North Regional Wastewater Authority as formally adopted by the Board of Trustees. In accordance with these provisions, investments purchased for the portfolio may be safekept only by financial institutions that have been authorized by Tri-Cities Board of Trustees through formal resolution and recommendations received from the Finance Committee, which considers such criteria as the financial institution's insured status, size, financial condition, location and fee structure.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities, the face value of which is at least 105% of the total value of public monies on deposit at the institution.

Investments are made through an individual investment account maintained by the fiscal agent. Whenever there are monies in Tri-Cities account which will not be required to be used for a period of thirty days or more, such funds are invested subject to the limitations contained within the investment policy of Tri-Cities, and subject to all applicable laws and regulations.

**Tri-Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2017

The investment objectives controlling the management of Tri-Cities investment portfolio are, in order of importance: (1) Safety of principal. Recognizing that all investments contain one or more elements of risk, the portfolio shall be prudently managed with specific consideration given to credit risk, market risk, and prepayment risk; (2) Liquidity to meet current and contingent requirements; (3) Diversity of investments. Tri-Cities shall diversify its investments to avoid incurring unreasonable risks associated with the practice of concentrating on investments in specific security types and individual institutions; (4) Public Confidence. Tri-Cities shall avoid any transaction which might impair its public confidence.

According to the Tri-Cities investment policy, the maximum maturity of any investment is limited to a final stated maturity of five years or an average life of five years, where the average life is estimated by nationally recognized firms independent of the dealer selling the security, unless matched to a specific cash flow requirement.

The provisions of Tri-Cities investment policy authorizes the following investments:

1. Bonds, notes, certificates of indebtedness, treasury bills or other securities which are guaranteed by the full faith and credit of the United States.
2. Short-term discount obligations of the Federal National Mortgage Association (FNMA).
3. State Treasury Asset Reserve of Ohio (STAR Ohio).
4. Money market mutual funds registered by the federal government under the amended Investment Company Act of 1940 provided that the portfolio is limited to bonds, notes, certificates of indebtedness, treasury bills or other securities which are guaranteed by the full faith and credit of the United States or agreements to repurchase these same types of obligations.
5. Deposits of any Ohio financial institution subject to collateralization of public funds defined by the Ohio Revised Code.
6. Shares, savings accounts, certificates of deposit, or other deposit accounts legally issuable by Ohio financial institutions.
7. Prime Commercial Paper issued with a credit rating of P-1 by Standard & Poor's Corporation or A-1 by Moody's rating service provided no more than 10% of the portfolio, at the time of investment, is invested in commercial paper.

*Custodial credit risk* is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of Tri-Cities cash and deposits is provided by the FDIC as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105% of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institution. Tri-Cities policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

**Tri-Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2017

A. Deposits

At year-end, the carrying amount of Tri-Cities deposits was \$2,558,802. Based on the criteria described in GASB Statement No. 40 “Deposit and Investment Risk Disclosures”, as of December 31, 2017, none of Tri-Cities bank balance of \$2,650,855 was exposed to custodial risk as discussed above.

B. Investments

At December 31, 2017, Tri-Cities had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Maturity</u>	<u>Rating</u>
<i>Federal National Mortgage Association</i>	\$ 250,003	16.57%	11/23/21	AA+ <sup>(1)</sup>
<i>Federal National Mortgage Association</i>	<u>248,967</u>	16.50%	07/28/21	AA+ <sup>(1)</sup>
<i>Total FNMA</i>	<u>498,970</u>			
 <i>Federal Home Loan Mortgage Corporation</i>	 <u>248,690</u>	 16.48%	 08/24/21	 AA+ <sup>(1)</sup>
<i>Total FHLMC</i>	<u>248,690</u>			
 <i>STAR Ohio</i>	 <u>761,142</u>	 50.45%	 52.1 <sup>(2)</sup>	 AAAm <sup>(1)</sup>
 <i>Total investments</i>	 <u>\$ 1,508,802</u>	 <u>100.00%</u>		

<sup>(1)</sup> Standard and Poor's rating

<sup>(2)</sup> Days (Average)

Tri-Cities categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The preceding table identifies Tri-Cities recurring fair value measurement as of December 31, 2017. As previously discussed Star Ohio is reported at its net asset value. All other investments of Tri-Cities are valued using quoted market prices (Level 1 inputs).

**Tri-Cities North Regional Wastewater Authority**  
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*Custodial credit risk* for an investment is the risk that in the event of failure of the counterparty, Tri-Cities will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) are held by the counterparty's trust department or agent and not in Tri-Cities name.

*Interest rate risk* is the possibility that changes in interest rates will adversely affect the fair value of an investment. Tri-Cities investment policy provides that Tri-Cities shall attempt to match the term to maturity of its investments with anticipated cash flow requirements. It limits direct investment in securities with an average life of 5 years from the date of settlement.

*Credit Risk* is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAR Ohio an AAAM rating, the FHLMC and FNMA bonds an AA+ rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

*Concentration of credit risk* is the possibility of loss attributed to the magnitude of Tri-Cities investment in a single issuer. Tri-Cities investment policy states that the portfolio shall be diversified so as to avoid concentrations of credit risk from any rated issuer: (1) At the time of purchase, aggregate collateralized investments in the obligations of any financial institution are limited to no more than 20% of the portfolio, where eligible collateral is defined by the Ohio Revised Code; (2) At the time of purchase, aggregate investments in the obligations of any U.S. corporation and non-collateralized investments in the obligations of any financial institution are limited to no more than 10% of the portfolio; (3) Investments in eligible short term investments which can be readily converted to cash within 48 hours are limited to no more than 30% of the portfolio. More than 5% of Tri-Cities investments are in FHLMC and FNMA and these investments are 49.55% of Tri-Cities total investments. These investments are presented in the table on the previous page. The investment in STAR Ohio is a pooled investment and not of a single issuer.

**Note 3 – Accounts Receivable**

Accounts receivable represent monies due from United Water and various other parties. Accounts receivable from related parties are monies due from the City of Vandalia, City of Huber Heights and the City of Tipp for their portion of sewage treatment services. (See Note 6 for more information). No allowance for doubtful accounts has been recorded as all amounts are considered collectible. All receivables are expected to be collected within one year.

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**Note 4 – Capital Assets**

Capital asset activity for the year ending December 31, 2017 was as follows:

<b><u>Business-type activities</u></b>	<i>Balance</i> <u>12/31/2016</u>	<i>Increases</i>	<i>Decreases</i>	<i>Balance</i> <u>12/31/2017</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,918,235	\$ -	\$ -	\$ 3,918,235
Construction in progress	<u>73,670</u>	<u>1,304,832</u>	<u>-</u>	<u>1,378,502</u>
Total capital assets, not being depreciated	<u>3,991,905</u>	<u>1,304,832</u>	<u>-</u>	<u>5,296,737</u>
<i>Capital assets, being depreciated:</i>				
Infrastructure	4,262,028	-	-	4,262,028
Buildings and improvements	31,775,575	7,975	(167,479)	31,616,071
Machinery and equipment	10,057,019	118,971	(2,730)	10,173,260
Vehicles	<u>341,643</u>	<u>-</u>	<u>-</u>	<u>341,643</u>
Total capital assets, being depreciated	<u>46,436,265</u>	<u>126,946</u>	<u>(170,209)</u>	<u>46,393,002</u>
<i>Less accumulated depreciation:</i>				
Infrastructure	(2,001,618)	(110,024)	-	(2,111,642)
Buildings and improvements	(8,126,350)	(678,195)	34,116	(8,770,429)
Machinery and equipment	(6,542,941)	(336,973)	2,730	(6,877,184)
Vehicles	<u>(295,779)</u>	<u>(7,976)</u>	<u>-</u>	<u>(303,755)</u>
Total accumulated depreciation	<u>(16,966,688)</u>	<u>(1,133,168)</u>	<u>36,846</u>	<u>(18,063,010)</u>
Total capital assets being depreciated, net	<u>29,469,577</u>	<u>(1,006,222)</u>	<u>(133,363)</u>	<u>28,329,992</u>
Business-type activities capital assets, net	<u>\$ 33,461,482</u>	<u>\$ 298,610</u>	<u>\$ (133,363)</u>	<u>\$ 33,626,729</u>

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**Note 5 – Long-term Obligations**

A summary of debt and other long-term obligations as of December 31, 2017 follows:

	<i>Balance</i>			<i>Balance</i>	<i>Amount</i>
	<i>12/31/16</i>	<i>Increases</i>	<i>Decreases</i>	<i>12/31/17</i>	<i>Due in</i>
					<i>One Year</i>
<i><u>Loans</u></i>					
2000 OWDA loan, 4.66%	\$ 542,634	\$ -	\$ (111,057)	\$ 431,577	\$ 116,292
2001 OWDA loan, 0.27%	1,776,890	-	(294,154)	1,482,736	294,949
2013 OWDA loan, 2.84%	5,156,696	-	(207,306)	4,949,390	230,138
2017 OWDA loan, 2.38%	-	747,472	-	747,472	-
<i>Total loans</i>	<u>7,476,220</u>	<u>747,472</u>	<u>(612,517)</u>	<u>7,611,175</u>	<u>641,379</u>
<i><u>Other obligations</u></i>					
Compensated absences	<u>526</u>	<u>1,552</u>	<u>(526)</u>	<u>1,552</u>	<u>1,552</u>
<i><u>Net pension liability</u></i>					
OPERS	<u>125,752</u>	<u>44,787</u>	<u>-</u>	<u>170,539</u>	<u>-</u>
<i>Total long-term obligations</i>	<u>\$ 7,602,498</u>	<u>\$ 793,811</u>	<u>\$ (613,043)</u>	<u>\$ 7,783,266</u>	<u>\$ 642,931</u>

The 2000 loan was issued for the nitrification improvement project. The principal amount of the original loan is \$1,825,577. The loan was issued with an interest rate of 4.66% with final maturity of January 1, 2021. Current operations are expected to provide cash flows for the repayment of this loan. During 2016, an interest rate buy down was established by the Ohio Water Development Authority (OWDA) to assist local governments with current loans. Tri-Cities loan with an interest rate of 4.66% was reduced to 3% on the outstanding balance of the loan. This interest rate reduction is being reflected as intergovernmental revenue.

The 2001 loan was issued for the Ross Road pumping station improvements project. The principal amount of the original loan \$6,314,982. The loan was issued with an interest rate of .27% with final maturity of July 1, 2022. Current operations are expected to provide cash flows for the repayment of this loan.

The 2008 loan carrying a 5.11% interest rate was issued for the comprehensive plan project. The principal amount of the original loan is \$709,823 including capitalized interest. During 2013, the planning loan was rolled into a construction loan with a final maturity of July 1, 2034. Current operations are expected to provide cash flows for the repayment of this loan.

The 2017 loan carrying a 2.38% interest rate was issued for the disinfection facility project. The expected principal amount of the original loan is to be \$2,660,322 including capitalized interest. This loan is not yet finalized and a repayment schedule has not been established. Current operations are expected to provide cash flows for the repayment of this loan.

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The annual debt service requirements for payment of principal and interest at December 31, 2017, are as follows:

<u>Year</u>	<u>OWDA loans</u>	
	<u>Principal</u>	<u>Interest**</u>
2018	\$ 641,379	\$ 161,516
2019	892,854	210,560
2020	911,877	191,536
2021	863,971	219,360
2022	570,127	114,550
2023-2027	1,402,925	442,467
2028-2032	1,615,364	230,028
2033-2034	712,678	25,478
<i>Total</i>	<u>\$ 7,611,175</u>	<u>\$ 1,595,495</u>

\*\*Includes \$14,658 of interest rate buy down

The above annual debt service requirements are based upon the latest estimated amortization schedules provided from OWDA. Until a loan is fully disbursed or closed with the OWDA Chief Engineer, a final amortization is not available for the loan.

**Note 6 – Related Party Transactions**

Tri-Cities was party to several transactions during 2017 involving the three member cities, which are summarized as follows:

A. Accounts Receivable

Accounts Receivable as of December 31, 2017, includes the balance due from the member cities for sewage treatment services provided to the cities' residents. The amounts included in accounts receivable from member cities is as follows:

	<u>2017</u>
<i>Vandalia</i>	\$ 71,228
<i>Tipp City</i>	53,920
<i>Huber Heights</i>	<u>146,721</u>
<i>Total</i>	<u>\$ 271,869</u>

B. Charges for Services

Charges for services for 2017 include the amounts charged to the member cities for sewage treatment services provided to the cities' residents. The amount included in charges for services from member cities is as follows:



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	<u>2017</u>
Vandalia	\$ 875,139
Tipp City	711,396
Huber Heights	<u>1,685,505</u>
Total	<u>\$ 3,272,040</u>

**Note 7 – Risk Management**

Tri-Cities 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. Tri-Cities carries liability insurance with an independent third party.

The following is a list of insurance coverage and deductibles for 2017:

<u>Coverage</u>	<u>Limit</u>	<u>Deductible</u>
Property	\$ 25,387,347	\$ 2,500
Flood	500,000	50,000
Earthquake	2,000,000	50,000
General liability:		
Per occasion	1,000,000	none
Aggregate	3,000,000	none
Public Officials:		
Per occasion	1,000,000	1,000
Aggregate	3,000,000	1,000
Umbrella:		
Per occasion	5,000,000	none
Aggregate	5,000,000	none
Contractors equipment	1,876,835	1,000
Crime:		
Employee dishonesty	100,000	1,000
Theft - inside premises	10,000	250
Theft - outside premises	10,000	250
Forgery and alteration	100,000	250
Boiler and machinery	included in property	2,500
Automobile:		
Liability	1,000,000	none
Comprehensive	actual cash value	250
Collision	actual cash value	1,000
Uninsured motorist	250,000	none
Under insured motorist	250,000	none
Premises pollution liability	5,000,000	250,000

There were no significant reductions in coverage from prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

Tri-Cities 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.

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**Note 8 – Ohio Public Employees Retirement System Defined Benefit Pension Plan**

**Net pension liability**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions are provided to an employee on a deferred-payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents Tri-Cities proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits Tri-Cities obligation for this liability to annually required payments. Tri-Cities cannot control benefit terms or the manner in which pensions are financed; however, Tri-Cities does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in due to other governments.

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**Plan Description – Ohio Public Employees Retirement System (OPERS)**

Tri-Cities employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the combined plan is a cost sharing, multiple employer defined benefit pension plan with defined contribution features. While members may elect the member-directed plan and the combined plan, all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
<i>Eligible to retire prior to January 7, 2013 or five years after January 7, 2013</i>	<i>20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013</i>	<i>Members not in other Groups and members hired on or after January 7, 2013</i>
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and service requirements:</b> <i>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit</i>	<b>Age and service requirements:</b> <i>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit</i>	<b>Age and service requirements:</b> <i>Age 57 with 25 years of service credit or Age 62 with 5 years of service credit</i>
<b>Formula:</b> <i>2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30</i>	<b>Formula:</b> <i>2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30</i>	<b>Formula:</b> <i>2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35</i>

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

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When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
<b>2017 Statutory maximum contribution rates</b>	
<i>Employer</i>	14.00 %
<i>Employee</i>	10.00 %
 <b>2017 Actual contribution rates</b>	
<i>Employer:</i>	
<i>Pension</i>	13.00 %
<i>Post-employment health care benefits</i>	<u>1.00</u>
<i>Total employer</i>	<u><u>14.00</u></u> %
 <i>Employee</i>	 <u><u>10.00</u></u> %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. Tri-Cities contractually required contribution was \$13,245 for 2017. Of this amount, \$137 is reported as due to other governments.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Tri-Cities proportion of the net pension liability was based on Tri-Cities share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>
<i>Proportion of the pension liability - prior measurement date</i>	0.000726 %
<i>Proportion of the pension liability - current measurement date</i>	<u>0.000751</u> %
<i>Change in proportionate share</i>	<u><u>0.000025</u></u> %
 <i>Proportionate share of net</i>	
<i>pension liability</i>	\$ 170,539
<i>Pension expense</i>	\$ 35,806

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At December 31, 2017, Tri-Cities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>
<b><i>Deferred outflows of resources</i></b>	
<i>Differences between expected and actual experience</i>	\$ 231
<i>Net difference between projected and actual earnings on pension plan investments</i>	25,397
<i>Changes of assumptions</i>	27,050
<i>Employer contributions subsequent to the measurement date</i>	13,245
<i>Changes in proportionate share and differences between employer contributions and proportionate share of contributions</i>	<u>2,122</u>
<b><i>Total deferred outflows of resources</i></b>	<b><u><u>\$ 68,045</u></u></b>
<b><i>Deferred inflows of resources</i></b>	
<i>Differences between expected and actual experience</i>	\$ 1,015
<i>Changes in proportionate share and differences between employer contributions and proportionate share of contributions</i>	<u>1,672</u>
<b><i>Total deferred inflows of resources</i></b>	<b><u><u>\$ 2,687</u></u></b>

\$13,245 reported as deferred outflows of resources related to pension resulting from Tri-Cities contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>
Year ending December 31:	
2018	\$ 20,896
2019	22,850
2020	9,113
2021	<u>(746)</u>
Total	<b><u><u>\$ 52,113</u></u></b>

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**Actuarial Assumptions - OPERS**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<i>Wage inflation</i>	<i>3.25 percent</i>
<i>Future salary increases, including inflation</i>	<i>3.25 to 10.75 percent including wage inflation</i>
<i>COLA or Ad Hoc COLA</i>	<i>3 percent, simple</i>
<i>Investment rate of return</i>	<i>7.5 percent</i>
<i>Actuarial cost method</i>	<i>Individual entry age</i>

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

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During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

<i>Asset class</i>	<i>Target allocation</i>	<i>Weighted average long-term expected real rate of return (arithmetic)</i>
<i>Fixed income</i>	<i>23.00%</i>	<i>2.75%</i>
<i>Domestic equities</i>	<i>20.70%</i>	<i>6.34%</i>
<i>Real estate</i>	<i>10.00%</i>	<i>4.75%</i>
<i>Private equity</i>	<i>10.00%</i>	<i>8.97%</i>
<i>International equities</i>	<i>18.30%</i>	<i>7.95%</i>
<i>Other investments</i>	<i>18.00%</i>	<i>4.92%</i>
<i>Total</i>	<i><u>100.00%</u></i>	<i><u>5.66%</u></i>

**Discount Rate** The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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***Sensitivity of the Tri-Cities Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the Tri-Cities proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the Tri-Cities proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	<i>1% Decrease</i>	<i>Current discount rate</i>	<i>1% Increase</i>
	<u>(6.50%)</u>	<u>(7.50%)</u>	<u>(8.50%)</u>
<i>Employer proportionate share of the net pension liability</i>	\$ 260,537	\$ 170,539	\$ 95,542

**Note 9 – Postemployment Benefits**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage, commonly referred to OPEB (other postemployment benefits). OPERS administers three separate pension plans, the Traditional Pension Plan (TP), the Member-Directed Plan (MD) and the Combined Plan (CP), all of which are described in Note 8.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) 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/financial/reports.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 the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans.



***Tri-Cities North Regional Wastewater Authority***

***Montgomery County, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by the OPERS' actuary, the portion of employer contribution allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0%.

Tri-Cities required contributions for health care for the years ended December 31, 2017, 2016, and 2015 were \$1,019, \$1,950 and \$1,814, respectively; 98.96% has been contributed for 2017 and 100% for 2016 and 2015. \$11 representing the unpaid contribution for fiscal year 2017 is recorded as due to other governments. The actual contribution and the actuarially required contribution amounts are the same.

**Note 10 – Other Employee Benefits**

A. Deferred Compensation Plan

Tri-Cities employee participates in the Ohio Public Employees Deferred Compensation Plan. This plan is created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

B. Insurance Benefits

Tri-Cities employees have term life insurance through an independent third party.

C. Compensated Absences

*Accumulated Unpaid Vacation*

Tri-Cities employees earns vacation leave based on length of service and may accrue a maximum of 45 days. In the event of a termination of employment, death or retirement, the employee (or the estate) would be paid for unused vacation leave. The total obligation for vacation accrual for Tri-Cities amounted to \$1,552 at December 31, 2017.

**Tri-Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2017

*Accumulated Unpaid Sick Leave*

Tri-Cities employees earns sick leave at the rate of 4.616 hours per eighty hours of service. A maximum of 1,250 hours may be carried from one year to the next. Any hours over 1,250 accrued and not taken will be paid on a one for three basis at the end of the year. In the case of death or retirement, the employee (or the estate) would be paid for one half of the accumulated leave with 625 hours being the maximum amount paid. Tri-Cities paid out all sick leave balances in a prior year leaving no hours to be accrued at year end.

**Note 11 – Operating Leases**

During 2008, Tri-Cities renewed an existing operating lease with Bowman and Landes Turkeys, Inc. for the use of 675 acres of land. During 2012, the lease was renewed for an additional five year period. Future rental income is based on the type and amount of crop harvested net of related expenses. During 2017, Tri-Cities received \$116,555 in revenues from the lease agreement.

During 2008, Tri-Cities entered into an operating lease with the Miami Conservancy District for the use of 235 acres of land. The lease is set to expire during 2027 at which time it may be renewed for a twenty year period. During 2017, Tri-Cities paid \$17,625 for the use of this land.

<u>Year</u>	<u>Lease</u> <u>Amount</u>
2018	\$ 17,625
2019	17,625
2020	17,625
2021	17,625
2022	17,625
2023-2027	<u>88,125</u>
	<u>\$ 176,250</u>

**Tri-Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2017

**Note 12 – Contingencies**

In September 2008, the Ohio Environmental Protection Agency (the "Ohio EPA") informed Tri-Cities that its upcoming National Pollutant Discharge Elimination System (NPDES) wastewater permit renewal would include new reporting requirements intended to assist the Ohio EPA in enforcing a prohibition against all sewer system overflows (SSO) occurring anywhere in the collection systems, regardless of the number, duration, and cause of the overflow. The Ohio EPA also informed Tri-Cities that it would be expected to negotiate administrative findings and orders with the Director of Ohio EPA in 2009 that would impose a mandatory schedule to eliminate all remaining overflow points in the collection systems, regardless of the number, duration, and cause of the overflow, including payment of a penalty for past and future overflow events. Based upon the success of its overflow elimination program, Tri-Cities objected to these conditions and met in January 2009 with representatives of the Ohio EPA. Following the meeting, Tri-Cities sent information to the Ohio EPA to correct a misunderstanding about the number of remaining overflow points; to demonstrate the success of the overflow elimination program; and to document the monies spent to date in the program. The Ohio EPA did not respond to this information.

In March 2009, acting at the request of representatives for the Ohio EPA, U.S. Environmental Protection Agency (the "U.S. EPA") announced its intention to conduct a Compliance Enforcement Inspection of the Tri-Cities treatment plant and interceptor sewer lines, and the sewer lines of the member cities. In July of 2009, Tri-Cities received a new NPDES permit from the Ohio EPA which includes new reporting requirements for SSO's as anticipated. The U.S. EPA conducted a Compliance Enforcement Inspection in 2009 as intended and subsequently issued a Unilateral Administrative Order (UAO) against Tri-Cities and its member cities on April 21, 2010. Each Administrative Order included Findings against Tri-Cities and the member cities for alleged NPDES violations for past SSO's, and an Order for Compliance with the NPDES permit and the Clean Water Act. The UAOs state that they will terminate upon compliance with the terms therein, and upon a demonstration that no SSOs have occurred for at least two consecutive years. The UAOs do not impose a fine for past SSOs, but reserved the right to seek such fine. Tri-Cities and its members requested certain modifications to the language of the UAOs addressing the schedule for elimination of remaining collection system overflows, and procedures to terminate the UAOs once the remaining overflows are eliminated. They also requested that the separate UAOs issued to Tri-Cities and its members be rescinded and replaced by a joint UAO that applies to all four parties. The U.S. EPA agreed to the modifications in principle and issued a draft consolidated UAO for all four parties to review and comment on in late summer 2012. Tri-Cities and the members subsequently filed comments with the U.S. EPA and requested additional clarification regarding the conditions that must be met to terminate the joint UAO once the remaining overflows have been eliminated. Tri-Cities and its members continued to work with the U.S. EPA during 2013 to clarify these conditions. They are currently waiting on a written response from the Agency to their comments with the intent of revising the UAO accordingly. In the meantime, Tri-Cities and its members continue to work diligently in implementing their overflow elimination/reduction program, and the location, number and duration of overflow events continues to decline each year.

**Required Supplementary Information**

***Tri-Cities North Regional Wastewater Authority***  
**Montgomery County, Ohio**  
**Required Supplementary Information**  
**Schedule of Tri-Cities Proportionate Share of the Net Pension Liability**  
**Last Four Years (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Ohio Public Employees Retirement System (OPERS) - Traditional Plan</b>				
Tri-Cities proportion of the net pension liability	0.000751%	0.000726%	0.000765%	0.000765%
Tri-Cities proportionate share of the net pension liability	\$ 170,539	\$ 125,752	\$ 92,268	\$ 90,184
Tri-Cities covered employee payroll	\$ 97,525	\$ 90,675	\$ 94,142	\$ 93,946
Tri-Cities proportionate share of the net pension liability as a percentage of its covered employee payroll	174.87%	138.68%	98.01%	96.00%
Plan fiduciary net position as a percentage of total pension liability	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available and the amounts presented are as of Tri-Cities measurement date which is the prior year end.

***Tri-Cities North Regional Wastewater Authority***

**Montgomery County, Ohio**

**Required Supplementary Information**

**Schedule of Tri-Cities Contributions**

**Last Five Years (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Ohio Public Employees Retirement System (OPERS) - Traditional Plan</b>					
Contractually required contribution	\$ 13,245	\$ 11,703	\$ 10,881	\$ 11,297	\$ 12,213
Contributions in relation to contractually required contribution	<u>(13,245)</u>	<u>(11,703)</u>	<u>(10,881)</u>	<u>(11,297)</u>	<u>(12,213)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Tri-Cities covered employee payroll	\$ 101,885	\$ 97,525	\$ 90,675	\$ 94,142	\$ 93,946
Contributions as a percentage of covered employee payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

***Tri-Cities North Regional Wastewater Authority***  
**Montgomery County, Ohio**  
**Notes to Required Supplementary Information**  
**For the Year Ended December 31, 2017**

**Ohio Public Employees Retirement System (OPERS) -  
Traditional Plan**

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2017. See the notes to the basic financials for the methods and assumptions in this calculation.

**Supplementary Budget Information**



**Tri-Cities North Regional Wastewater Authority**  
**Schedule of Revenues, Expenses and Changes**  
**In Fund Equity - Budget (Non-GAAP Basis) and Actual**  
**For the Year Ended December 31, 2017**

	Budgeted Amounts			Variance with Final budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Charges for services	\$ 3,328,952	\$ 3,271,952	\$ 3,273,752	\$ 1,800
Intergovernmental	-	-	8,552	8,552
Investment income	24,000	33,561	34,413	852
Rentals	132,800	124,355	124,355	-
Other	1,000	355,077	179,796	(175,281)
Total revenue	<u>3,486,752</u>	<u>3,784,945</u>	<u>3,620,868</u>	<u>(164,077)</u>
<u>Expenses:</u>				
Current:				
Personal services	121,386	121,386	120,173	1,213
Contractual services	2,450,246	2,806,023	2,741,944	64,079
Supplies and materials	2,350	3,424	2,775	649
Other	40,500	232,464	55,357	177,107
Capital outlay	2,774,711	3,639,739	1,714,352	1,925,387
Debt service:				
Principal retirement	640,276	640,276	597,857	42,419
Interest and fiscal charges	168,209	168,209	176,761	(8,552)
Total expenses	<u>6,197,678</u>	<u>7,611,521</u>	<u>5,409,219</u>	<u>2,202,302</u>
Excess of revenues over (under) expenses	<u>(2,710,926)</u>	<u>(3,826,576)</u>	<u>(1,788,351)</u>	<u>2,038,225</u>
<u>Other financing sources (uses):</u>				
Proceeds of OWDA loans	2,200,000	736,774	736,773	(1)
Sale of capital assets	-	4,011	4,011	-
Transfers - in	872,712	917,117	917,117	-
Transfers - out	(872,712)	(917,117)	(917,117)	-
Total other financing sources (uses)	<u>2,200,000</u>	<u>740,785</u>	<u>740,784</u>	<u>(1)</u>
Net change in fund equity	(510,926)	(3,085,791)	(1,047,567)	2,038,224
Fund equity at beginning of year	3,703,687	3,703,687	3,703,687	-
Prior year encumbrances appropriated	651,766	651,766	651,766	-
Fund equity at end of year	<u>\$ 3,844,527</u>	<u>\$ 1,269,662</u>	<u>\$ 3,307,886</u>	<u>\$ 2,038,224</u>

The following table summarizes the adjustments necessary to reconcile the change in fund net position to excess of expenses over revenues.

Change in net position	\$ (12,884)
Net adjustment for revenue accruals	426
Net adjustment for expense accruals	(259,590)
Net adjustment for the net pension liability	22,561
Decrease in fair value of investments for 2016	(8,070)
Decrease in fair value of investments for 2017	2,145
OWDA proceeds of loan	747,472
Capital outlay	(1,431,778)
Disposal of capital assets	133,363
Depreciation	1,133,168
Principal payments	(612,517)
Encumbrances	(761,863)
Excess of expenses under revenues	<u>\$ (1,047,567)</u>

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**STATISTICAL SECTION**



## Statistical Section

This part of Tri-Cities Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Tri-Cities overall financial health.

<b><u>Contents</u></b>	<b><u>Page(s)</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how Tri-Cities financial position has changed over time.	<b>S2 - S6</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader understand and assess the factors affecting Tri-Cities ability to generate its most significant local revenue source(s).	<b>S7 - S9</b>
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of Tri-Cities current levels of outstanding debt and Tri-Cities ability to issue additional debt in the future.	<b>S10 - S11</b>
<b>Economic and Demographic Information</b> This schedule offers economic and demographic indicators to help the reader understand the environment within which Tri-Cities financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	<b>S12 - S13</b>
<b>Operating Information</b> This schedule contains service and infrastructure data to help the reader understand how the information in Tri-Cities financial report relates to the services Tri-Cities provides and the activities it performs.	<b>S14 - S15</b>

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**Tri-Cities North Regional Wastewater Authority**

**Net Position by Component**

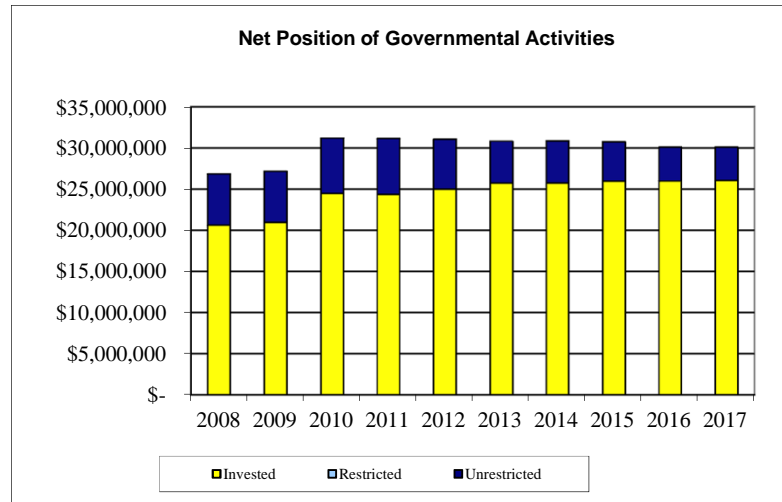
**Last Ten Years (1)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Restated 2014 (2)</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Primary government:</b>										
Net investment in capital assets	\$ 20,589,469	\$ 20,938,039	\$ 24,492,889	\$ 24,350,330	\$ 24,984,376	\$ 25,691,764	\$ 25,721,314	\$ 25,979,809	\$ 25,985,262	\$ 26,015,554
Unrestricted	<u>6,253,564</u>	<u>6,222,457</u>	<u>6,700,741</u>	<u>6,764,285</u>	<u>6,062,274</u>	<u>5,096,814</u>	<u>5,112,768</u>	<u>4,736,992</u>	<u>4,093,676</u>	<u>4,050,500</u>
Total primary government net position	<u>\$ 26,843,033</u>	<u>\$ 27,160,496</u>	<u>\$ 31,193,630</u>	<u>\$ 31,114,615</u>	<u>\$ 31,046,650</u>	<u>\$ 30,788,578</u>	<u>\$ 30,834,082</u>	<u>\$ 30,716,801</u>	<u>\$ 30,078,938</u>	<u>\$ 30,066,054</u>

(1) Accrual basis of accounting.

(2) Tri-Cities implemented GASB 68 during 2015 and as a result 2014 was restated.

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***Tri-Cities North Regional Wastewater Authority***

**Changes in Fund Net Position**

**Last Ten Years (1)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Operating expenses	\$ 2,812,790	\$ 2,981,419	\$ 2,933,131	\$ 3,579,473	\$ 3,374,255	\$ 3,710,229	\$ 3,003,787	\$ 3,215,637	\$ 3,892,269	\$ 3,346,075
Operating revenues	<u>3,477,410</u>	<u>3,408,349</u>	<u>3,416,561</u>	<u>3,462,877</u>	<u>3,406,037</u>	<u>3,602,288</u>	<u>3,414,222</u>	<u>3,392,674</u>	<u>3,404,026</u>	<u>3,578,175</u>
Operating income (loss)	<u>664,620</u>	<u>426,930</u>	<u>483,430</u>	<u>(116,596)</u>	<u>31,782</u>	<u>(107,941)</u>	<u>410,435</u>	<u>177,037</u>	<u>(488,243)</u>	<u>232,100</u>
Nonoperating revenues (expenses)	<u>122,598</u>	<u>(109,467)</u>	<u>86,195</u>	<u>(37,910)</u>	<u>(99,747)</u>	<u>(150,131)</u>	<u>(286,044)</u>	<u>(294,318)</u>	<u>(149,620)</u>	<u>(244,984)</u>
Other revenues (expenses)	<u>-</u>	<u>-</u>	<u>3,463,509</u>	<u>75,491</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund net position	<u>\$ 787,218</u>	<u>\$ 317,463</u>	<u>\$ 4,033,134</u>	<u>\$ (79,015)</u>	<u>\$ (67,965)</u>	<u>\$ (258,072)</u>	<u>\$ 124,391</u>	<u>\$ (117,281)</u>	<u>\$ (637,863)</u>	<u>\$ (12,884)</u>

(1) Accrual basis of accounting.

***Tri-Cities North Regional Wastewater Authority***

**Operating Revenues by Source**

**Last Ten Years (1)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Operating revenues</b>										
Charges for services	\$ 3,274,633	\$ 3,263,720	\$ 3,264,721	\$ 3,285,529	\$ 3,257,131	\$ 3,265,055	\$ 3,264,857	\$ 3,264,050	\$ 3,268,799	\$ 3,273,972
Rentals	159,079	137,331	151,606	166,494	133,576	218,087	104,114	102,910	132,065	124,355
Other operating revenues	43,698	7,298	234	10,854	15,330	119,146	45,251	25,714	3,162	179,848
Total operating revenues	<u>\$ 3,477,410</u>	<u>\$ 3,408,349</u>	<u>\$ 3,416,561</u>	<u>\$ 3,462,877</u>	<u>\$ 3,406,037</u>	<u>\$ 3,602,288</u>	<u>\$ 3,414,222</u>	<u>\$ 3,392,674</u>	<u>\$ 3,404,026</u>	<u>\$ 3,578,175</u>

(1) Accrual basis of accounting.

***Tri-Cities North Regional Wastewater Authority***

**Operating Expenses**

**Last Ten Years (1)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Expenses</b>										
Personal services	\$ 118,779	\$ 113,089	\$ 123,222	\$ 117,140	\$ 112,047	\$ 111,806	\$ 111,965	\$ 104,769	\$ 118,601	\$ 144,034
Contractual services	1,659,182	1,833,547	1,755,635	2,027,944	2,202,750	2,544,823	1,820,599	2,025,185	2,613,175	2,011,567
Materials and supplies	4,015	3,917	3,782	5,244	2,595	2,449	2,205	2,271	1,750	2,225
Other operating expenses	53,963	43,990	33,787	379,212	46,988	36,500	39,909	35,269	11,602	55,081
Depreciation	<u>976,851</u>	<u>986,876</u>	<u>1,016,705</u>	<u>1,049,933</u>	<u>1,009,875</u>	<u>1,014,651</u>	<u>1,029,109</u>	<u>1,048,143</u>	<u>1,147,141</u>	<u>1,133,168</u>
Total operating expenses	<u>\$ 2,812,790</u>	<u>\$ 2,981,419</u>	<u>\$ 2,933,131</u>	<u>\$ 3,579,473</u>	<u>\$ 3,374,255</u>	<u>\$ 3,710,229</u>	<u>\$ 3,003,787</u>	<u>\$ 3,215,637</u>	<u>\$ 3,892,269</u>	<u>\$ 3,346,075</u>

(1) Accrual basis of accounting.



**Tri-Cities North Regional Wastewater Authority**  
**Nonoperating Revenues and Expenses/Other Revenues and Expenses**  
**Last Ten Years (1)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Nonoperating revenues (expenses)</b>										
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,837	\$ 7,630
Interest income	209,700	71,519	47,191	84,974	41,741	29,078	47,143	18,720	21,235	40,562
Contributions	-	-	202,000	-	-	-	-	-	-	-
Decrease in fair value of investments	-	-	-	-	-	(35,104)	-	-	-	-
Interest and fiscal charges	(183,714)	(169,734)	(152,261)	(122,884)	(141,488)	(144,105)	(129,820)	(313,038)	(185,692)	(163,824)
Claims and judgments	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of capital assets	96,612	(11,252)	(10,735)	-	-	-	(203,367)	-	-	(129,352)
<b>Total nonoperating revenues (expenses)</b>	<u>\$ 122,598</u>	<u>\$ (109,467)</u>	<u>\$ 86,195</u>	<u>\$ (37,910)</u>	<u>\$ (99,747)</u>	<u>\$ (150,131)</u>	<u>\$ (286,044)</u>	<u>\$ (294,318)</u>	<u>\$ (149,620)</u>	<u>\$ (244,984)</u>
<b>Other revenues (expenses)</b>										
Capital contributions	\$ -	\$ -	\$ 3,463,509	\$ 75,491	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special item	-	-	-	-	-	-	-	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,463,509</u>	<u>\$ 75,491</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

5 (1) Accrual basis of accounting.

***Tri-Cities North Regional Wastewater Authority***

**Three Largest Customers**

**Last Ten Years**

<u>Year</u>	<u>City of Vandalia</u>	<u>City of Huber Heights</u>	<u>City of Tipp City</u>	<u>Total charges for services for largest customers</u>
2008	\$ 912,130	\$ 1,671,027	\$ 661,004	\$ 3,244,161
2009	897,612	1,700,948	663,083	3,261,643
2010	894,567	1,699,998	666,959	3,261,524
2011	877,851	1,757,480	647,198	3,282,529
2012	875,200	1,763,248	616,686	3,255,134
2013	892,921	1,693,089	676,973	3,262,983
2014	859,601	1,712,963	690,441	3,263,005
2015	868,687	1,710,207	685,614	3,264,508
2016	858,989	1,688,272	720,352	3,267,613
2017	875,139	1,685,505	711,396	3,272,040

**Source:** Tri-Cities financial records.

***Tri-Cities North Regional Wastewater Authority***

**Wastewater Treated**

**Last Ten Years**

<u>Year</u>	<u>Gallons of Wastewater Treated</u>	<u>Total Direct Sewer Rates (1)</u>
2008	2,901	\$ 0.91
2009	2,852	1.14
2010	2,852	1.14
2011	3,890	0.82
2012	3,141	1.02
2013	3,540	0.91
2014	2,958	0.96
2015	3,803	0.80
2016	3,655	0.88
2017	4,085	0.78

**Source:** Tri-Cities financial records.

(1) per 1,000 gallons.

***Tri-Cities North Regional Wastewater Authority***  
**Schedule of Participating Cities' Equity Interest**  
**Last Ten Years**

<u>Year</u>	<u>City of Vandalia</u>	<u>City of Huber Heights</u>	<u>City of Tipp City</u>	<u>Total</u>
2008	28.12%	51.50%	20.38%	100.00%
2009	27.52	52.15	20.33	100.00
2010	27.43	52.12	20.45	100.00
2011	26.74	53.54	19.72	100.00
2012	26.88	54.14	18.98	100.00
2013	27.37	51.88	20.75	100.00
2014	26.34	52.50	21.16	100.00
2015	26.63	52.41	20.96	100.00
2016	26.12	51.80	22.08	100.00
2017	26.94	51.29	21.77	100.00

**Source:** Tri-Cities financial records.

**Tri-Cities North Regional Wastewater Authority**

**Ratio of Outstanding Debt By Type**

**Last Ten Years**

<u>Year</u>	<u>OWDA Loans</u>	<u>Population (2)</u>	<u>Per Capita</u>	<u>Percentage of Personal Income (3)</u>
2008	\$ 8,504,483	62,510	\$ 136.05	0.59%
2009	7,781,353	62,510	124.48	0.54%
2010	7,038,959	63,036	111.67	0.41%
2011	6,462,449	63,036	102.52	0.37%
2012	5,778,706	63,036	91.67	0.33%
2013	6,954,917	63,036	110.33	0.40%
2014	8,998,769	63,036	142.76	0.52%
2015	8,101,489	63,036	128.52	0.47%
2016	7,476,220	63,036	118.60	0.43%
2017	7,611,175	63,036	120.74	0.44%

**Source:** Tri-Cities financial records.

(1) Details regarding the Tri-Cities outstanding debt can be found in Note 5 in the current financial statements.

(2) Population total of all member cities.

(3) Percentage of personal income of all member cities.

## ***Tri-Cities North Regional Wastewater Authority***

### **Debt Service Coverage**

#### **Last Ten Years**

<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2008	\$ 3,477,410	\$ 1,835,939	\$ 1,641,471	\$ 698,913	\$ 183,714	\$ 882,627	\$ 1.86
2009	3,408,349	1,994,543	1,413,806	757,570	169,734	927,304	1.52
2010	3,416,561	1,916,426	1,500,135	775,043	152,261	927,304	1.62
2011	3,462,877	2,529,540	933,337	607,368	122,884	730,252	1.28
2012	3,406,037	2,364,380	1,041,657	712,894	141,488	854,382	1.22
2013	3,602,288	2,695,578	906,710	784,749	144,105	928,854	0.98
2014	3,414,222	1,974,678	1,439,544	787,351	129,820	917,171	1.57
2015	3,392,674	2,167,494	1,225,180	1,027,812	215,649	1,243,461	0.99
2016	3,418,863	2,745,128	673,735	625,269	191,766	817,035	0.82
2017	3,585,805	2,212,907	1,372,898	612,517	176,761	789,278	1.74

**Source:** Tri-Cities financial records.

(1) Gross revenues exclusive of interest income, gain (loss) on sale of capital assets and special items.

(2) Total operating expenses exclusive of depreciation.

**Tri-Cities North Regional Wastewater Authority**  
**Demographic and Economic Statistics of Participating Cities**  
**Last Ten Years**

Year	City of Vandalia	City of Huber Heights	City of Tipp City	Total Population	Montgomery County Unemployment Rate (2)	City of Vandalia		City of Huber Heights		City of Tipp City	
						Total Personal Income (3)	Personal Income Per Capita (1)	Total Personal Income (3)	Personal Income Per Capita (1)	Total Personal Income (3)	Personal Income Per Capita (4)
2008	14,603	38,686	9,221	62,510	8.5%	\$ 353,377,997	\$ 24,199	\$ 800,579,612	\$ 20,951	\$ 282,577,545	\$ 30,645
2009	14,603	38,686	9,221	62,510	13.3%	353,377,997	24,199	800,579,612	20,951	282,577,545	30,645
2010	15,246	38,101	9,689	63,036	10.1%	415,514,484	27,254	983,882,123	25,823	334,222,055	34,495
2011	15,246	38,101	9,689	63,036	8.5%	415,514,484	27,254	983,882,123	25,823	334,222,055	34,495
2012	15,246	38,101	9,689	63,036	7.0%	415,514,484	27,254	983,882,123	25,823	334,222,055	34,495
2013	15,246	38,101	9,689	63,036	7.0%	415,514,484	27,254	983,882,123	25,823	334,222,055	34,495
2014	15,246	38,101	9,689	63,036	4.6%	415,514,484	27,254	983,882,123	25,823	334,222,055	34,495
2015	15,246	38,101	9,689	63,036	4.7%	415,514,484	27,254	983,882,123	25,823	334,222,055	34,495
2016	15,246	38,101	9,689	63,036	4.6%	415,514,484	27,254	983,882,123	25,823	334,222,055	34,495
2017	15,246	38,101	9,689	63,036	4.6%	415,514,484	27,254	983,882,123	25,823	334,222,055	34,495

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**Sources:** (1) U.S. Bureau of Census, Census of Population.  
(2) U.S. Department of Labor.  
(3) Computation of per capita personal income multiplied by population  
(4) Personal income is a calculation based on the County's Per Capita Income, which is the only information available for this City.

**Tri-Cities North Regional Wastewater Authority**

**Principal Employers of Tri-Cities Participating Cities**

**As of December 31, 2008 and 2017**

<i>Participating city:</i>	<u>2017</u>			<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total</u>
<u>Vandalia</u>						
Staffmark Investment LLC (formerly CBS Personnel)	702	1	5.21%	-	-	0.00%
GE Aviation Systems	528	2	3.92%	674	2	7.20%
All Service Plastic Molding	526	3	3.91%	423	4	4.52%
Vandalia-Butler Schools	512	4	3.80%	-	-	0.00%
City of Vandalia	477	5	3.54%	553	3	5.91%
SAIA Burgess, Inc. (formerly Johnson Controls)	301	6	2.23%	300	6	3.21%
Kroger Limited Partnership	295	7	2.19%	-	-	0.00%
Dayton Freight Lines Inc.	276	8	2.05%	-	-	0.00%
Adare Pharmaceuticals Inc. (Formerly Aptalis Pharmatech, Inc.)	252	9	1.87%	-	-	0.00%
Projects Unlimited	212	10	1.57%	-	-	0.00%
Delphi Automotive Systems	-	-	0.00%	1,015	1	10.85%
Coorstek Medical LLC (formerly IMDS Holding Corp)	-	-	0.00%	306	5	3.27%
P&G Pet Care (formerly Iams)	-	-	0.00%	234	7	2.50%
Evenflo Corporation	-	-	0.00%	188	8	2.01%
Eurand	-	-	0.00%	170	9	1.82%
Exhibit Concepts	-	-	0.00%	120	10	1.28%
Total for the City of Vandalia	<u>4,081</u>		<u>30.15%</u>	<u>3,983</u>		<u>42.56%</u>
<u>Huber Heights</u>						
Huber Heights City Schools	935	1	6.91%	558	2	5.96%
Walmart Stores Incorporated	566	2	4.18%	239	5	2.55%
CBS	537	3	3.97%	-	-	0.00%
Trimble Navigation	530	4	3.92%	430	3	4.59%
ABF Freight Systems	510	5	3.77%	825	1	8.82%
Meijer Stores	503	6	3.72%	-	-	0.00%
Scott M & A Corp	444	7	3.28%	-	-	0.00%
Fed Ex Freight	415	8	3.07%	324	4	3.46%
Kroger	378	9	2.79%	-	-	0.00%
AM PM Employment LLC	344	10	2.54%	-	-	0.00%
City of Huber Heights	-	-	0.00%	184	6	1.97%
Coca Cola Enterprises, Inc.	-	-	0.00%	180	7	1.92%
Bowser Mornor	-	-	0.00%	160	8	1.71%
Spring Creek Nursing Center	-	-	0.00%	148	10	1.58%
Lowe's Home Improvement	-	-	0.00%	150	9	1.60%
Total for the City of Huber Heights	<u>5,162</u>		<u>38.14%</u>	<u>3,198</u>		<u>34.17%</u>
<u>Tipp City</u>						
Meijer, Inc.	1,647	1	11.99%	750	1	8.01%
Tipp City Exempted Village School District	471	2	3.43%	290	3	3.10%
FHI LLC	366	3	2.66%	-	-	0.00%
Menards	329	4	2.39%	-	-	0.00%
Arbogast	305	5	2.22%	-	-	0.00%
Creative Extruded Products	278	6	2.02%	-	-	0.00%
Abbott Laboratories	271	7	1.97%	114	6	1.22%
Adcare Health Systems (formerly Springmeade)	219	8	1.59%	149	4	1.59%
Rostam Direct (formerly Gardens Alive-Springhill)	204	9	1.49%	110	7	1.18%
US Express	201	10	1.46%	100	10	1.07%
Regal Beloit (formerly AO Smith Corporation)	-	-	0.00%	340	2	3.63%
Transfreight	-	-	0.00%	117	5	1.25%
DAP Products, Inc.	-	-	0.00%	104	8	1.11%
Captor	-	-	0.00%	104	9	1.11%
Total for the City of Tipp City	<u>4,291</u>		<u>31.71%</u>	<u>2,178</u>		<u>23.27%</u>
Grand total all three participating cities	13,534			9,359		

Source: Participating cities financial records.



**Tri-Cities North Regional Wastewater Authority**

**Operating and Capital Indicators**

**Last Ten Years**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b><u>Wastewater treatment</u></b>										
Miles of sewers	10	10	10	10	10	10	10	10	10	10
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Treatment capacity (MGD)	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2
Annual engineering maximum plant capacity (millions of gallons)	4,088	4,088	4,088	4,088	4,088	4,088	4,088	4,088	4,088	4,088
Amount treated annually (millions of gallons)	2,901	2,852	2,852	3,890	3,141	3,540	2,958	3,803	3,655	4,085
Unused capacity (millions of gallons)	1,187	1,236	1,236	198	947	548	1,130	285	433	3
Percentage of capacity utilized	71%	70%	70%	95%	77%	87%	72%	93%	89%	100%

Notes: MGD = millions of gallons per day.

***Tri-Cities North Regional Wastewater Authority***

**Miscellaneous Statistics**

**December 31, 2017**

General Information:

Year of Incorporation                    1996

Form of Government                    Joint Venture

Miscellaneous Statistics:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Number of Full Time Employees	1	1	1	1	1	1	1	1	1	1
Number of Part Time Employees	1	1	1	1	1	1	1	1	1	1
Miles of Sewer Line	10	10	10	10	10	10	10	10	10	10
Number of Manholes	112	112	112	112	112	112	112	112	112	112
Number of Siphons	1	1	1	1	1	1	1	1	1	1
Number of Pump Stations	1	1	1	1	1	1	2	2	2	2
Number of Booster Stations	1	1	1	1	1	1	1	1	1	1
Number of Equalization Basins	0	0	0	0	0	0	0	2	2	2



# Dave Yost • Auditor of State

**TRI CITIES NORTH REGIONAL WASTEWATER 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  
JUNE 12, 2018**