

Northwest Regional Water District

Scioto County

Regular Audit

January 1, 1999 Through December 31, 2000

Fiscal Years Audited Under GAGAS: 1999 & 2000

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Northwest Regional Water District
McDermott, Ohio

We have reviewed the Independent Auditor's Report of the Northwest Regional Water District, Scioto County, prepared by Balestra & Company, for the audit period January 1, 1999 to December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

June 11, 2001

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NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

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INDEPENDENT AUDITORS' REPORT

We have audited the accompanying general purpose financial statements of the Northwest Regional Water District, Scioto County, as of and for the years ended December 31, 1999 and 2000. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Northwest Regional Water District, as of December 31, 1999 and 2000, and the results of its operations and cash flows of its proprietary fund type for the years ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued our report dated March 23, 2001 on our consideration of the District's internal control over financial reporting and our test of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Balestra & Company

Balestra & Company
March 23, 2001

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

BALANCE SHEET
AS OF DECEMBER 31, 1999 AND 2000

	<u>2000</u>	<u>1999</u>
<u>Assets:</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 414,400	\$ 178,361
Accounts Receivable	259,969	236,531
Interest Receivable	39,035	34,043
Prepaid Expense	<u>13,770</u>	<u>2,602</u>
Total Current Assets	727,174	451,537
Restricted Assets:		
Cash and Cash Equivalents	1,273,235	1,191,794
Net Property, Plant & Equipment	<u>6,862,779</u>	<u>5,855,723</u>
Total assets	<u>\$ 8,863,188</u>	<u>\$ 7,499,054</u>
<u>Liabilities and Members' Equity:</u>		
Current Liabilities:		
Current Portion of Notes Payable (Note 7)	\$ 173,960	\$ 172,042
Accounts Payable	58,893	31,829
Accrued Expenses	112,234	103,261
Accrued Interest Payable	<u>28,210</u>	<u>31,396</u>
Total Current Liabilities	373,297	338,528
Long-Term Debt (Note 7):		
Notes Payable, less Current Portion	3,224,428	3,093,239
Total Liabilities	<u>3,597,725</u>	<u>3,431,767</u>
Members' Equity:		
Contributed Capital Member Tap Fees (Note 6)	1,385,934	1,305,953
Contributed Capital Governmental (Note 5)	2,915,005	1,950,003
Retained Earnings	<u>964,524</u>	<u>811,331</u>
Total Members' Equity	5,265,463	4,067,287
Total Liabilities and Members' Equity	<u>\$ 8,863,188</u>	<u>\$ 7,499,054</u>

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

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1999 AND 2000

	<u>2000</u>	<u>1999</u>
Revenues:		
Water	\$ 1,369,252	\$ 1,295,805
Service charges	92,558	91,653
Late charges	36,217	35,936
Contract work	5,568	5,317
Other	1,025	26,522
	<u>1,504,620</u>	<u>1,455,233</u>
Total revenue		
Expenses:		
Salaries, wages & Benefits	400,145	337,442
Utilities	86,779	92,346
Depreciation expense	246,476	233,594
Purchased water	395,437	364,968
Telemetry	7,762	6,216
Maintenance	47,053	39,113
Chemicals	2,727	3,204
Truck and equipment expense	29,255	20,916
Billing expense	12,451	13,287
Pension expense	36,449	41,610
Payroll taxes	5,292	4,453
Insurance	22,002	11,523
Office supplies and postage	11,170	11,459
Legal and accounting fees	1,280	7,406
Travel and auto expense	2,820	2,296
Uncollectible accounts	2,506	1,019
Other expenses	2,956	1,648
	<u>1,312,560</u>	<u>1,192,500</u>
Total expenses		
Operating income (loss)	192,060	262,733
Nonoperating Revenues/(Expenses)		
Interest income	91,446	69,306
Interest expense	(130,313)	(136,877)
	<u>(38,867)</u>	<u>(67,571)</u>
Total Nonoperating Revenues/(Expenses)		
Net income (loss)	153,193	195,162
Retained earnings, beginning of year	811,331	616,169
Retained earnings, end of year	<u>\$ 964,524</u>	<u>\$ 811,331</u>

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

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1999 AND 2000

	<u>2000</u>	<u>1999</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 1,473,684	\$ 1,420,753
Cash payments to employees & benefits	(608,984)	(610,447)
Cash payments for suppliers	<u>(432,913)</u>	<u>(368,829)</u>
Net cash provided by operating activities	431,787	441,477
Cash Flows from Investing Activities:		
Purchase of Investment - Restricted	(81,441)	(192,433)
Interest Income	<u>22,140</u>	<u>3,502</u>
Net cash used in investing activities	(59,301)	(188,931)
Cash Flows from Financing Activities:		
Payment for Capital Acquisitions	(875,888)	(214,578)
Principle paid on long-term debt	(172,043)	(161,685)
Interest Payments	(133,499)	(137,765)
Proceeds from grants for construction	965,002	0
Proceeds from memberships	<u>79,981</u>	<u>123,888</u>
Net cash provided by financing activities	(136,447)	(390,140)
Net Increase (Decrease) in Cash and Cash Equivalents:	236,039	(137,594)
Cash and Cash Equivalents, beginning of year:	<u>178,361</u>	<u>315,955</u>
Cash and Cash Equivalents, end of year	<u>\$ 414,400</u>	<u>\$ 178,361</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities:		
Net income	\$ 192,060	\$ 262,733
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	246,476	233,594
Changes in net assets and liabilities:		
(Increase) decrease in account receivable	(23,439)	(19,777)
(Increase) decrease in interest receivable	(4,992)	(20,274)
(Increase) decrease in prepaid insurance	(11,169)	6,594
(Decrease) increase in accounts payable	27,064	3,383
(Decrease) increase in deferred comp. payable	0	(38,564)
(Decrease) increase in accrued interest payable	(3,186)	(888)
(Decrease) increase in accrued expenses	<u>8,973</u>	<u>14,676</u>
Net Cash Provided by Operating Activities	<u>\$ 431,787</u>	<u>\$ 441,477</u>

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

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

Rush Township	Washington Township
Union Township	Franklin Township
Morgan Township	Jefferson Township
Rarden Village	Brushcreek Township
Otway Village	Camp Creek Township

B. BASIS OF ACCOUNTING

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

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

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

The Organization has adopted all applicable Financial Accounting Standards Board Statements issued after November 30, 1989, except for those that conflict with or contradict Governmental Accounting Standards Board pronouncements.

C. BUDGETARY PROCESS

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

Appropriations

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

Estimated Resources

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

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 2000
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BUDGETARY PROCESS (Continued)

Encumbrances

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

A summary of 1999 and 2000 budgetary activity appears in Note 3.

D. CONTRIBUTED CAPITAL

Contributed capital is recorded by the District for receipts of capital grants or contributions from developers and customers. Contributed capital of the Northwest Regional Water District has been from capital grants and customers.

E. CASH AND INVESTMENTS

During fiscal year 1999 and 2000, investments were limited to STAROhio, savings accounts, certificates of deposit and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements, savings accounts and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal years 1999 and 2000. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 1999 and 2000.

For purposes of the statement of cash flows and for presentation on the balance sheet, investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. OPERATING FACILITIES

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

Lines	50 years	Office/garage building	19 years
Tanks/towers	50 years	Trucks and equipment	5-10 years
Meters	25 years		

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 2000
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. COMPENSATED ABSENCES

Accumulated vacation leave and accumulated compensatory time are recorded as an expense and liability of the District as the benefits accrue to the employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, a liability is recorded for vested sick pay benefits which have been defined by District policy.

H. PENSIONS

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

I. FUND ACCOUNTING

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

Proprietary Fund

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

Enterprise Fund

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

J. Prepaid Expenses

Charges entered in the accounts for benefits not yet received. Prepaid expenses for 1999 and 2000 were \$2,602 and \$13,770 respectively.

K. ESTIMATES

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

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 2000
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. ACCOUNTS RECEIVABLE

Claims held against customers for money which will result in an inflow of cash. Accounts receivable for 1999 and 2000 were \$248,260 and \$274,204 respectively. The allowance for doubtful accounts for 1999 and 2000 were \$11,729 and \$14,235 respectively.

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 2000
(Continued)

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

4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on Hand At December 31, 1999 and 2000, the District had \$350 in undeposited cash on hand which is included on the balance sheet of the District as part of "cash and cash equivalents".

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

Deposits At December 31, 1999 and 2000, the carrying amount of the District's deposits was \$1,180,026 and \$1,303,639 respectively and the bank balance was \$1,199,468 and \$1,336,193 respectively. Of the bank balance:

1. \$559,340 and \$499,945 respectively was covered by federal depository insurance; and
2. \$640,128 and \$836,248 respectively was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 2000
(Continued)

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

Investments The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio is an unclassified investment since they it is not evidenced by securities that exist in physical or book entry form.

<u>1999</u>	Category 3	Carrying Amount	Fair Value
Repurchase Agreements	\$67,258	\$67,258	\$67,258
STAROhio	NA	\$122,521	\$122,521
Total Investments		<u>\$189,779</u>	<u>\$189,779</u>
<u>2000</u>	Category 3	Carrying Amount	Fair Value
Repurchase Agreements	\$99,002	\$99,002	\$99,002
STAROhio	NA	\$284,644	\$284,644
Total Investments		<u>\$383,646</u>	<u>\$383,646</u>

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

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

<u>1999</u>	Cash and Cash Equivalents Deposits	Investments
GASB Statement 9	\$1,370,155	
Investments:		
STAROhio	(122,521)	\$122,521
Repurchase Agreement	(67,258)	67,258
Cash on Hand	(350)	0
GASB Statement 3	<u>\$1,180,026</u>	<u>\$189,779</u>

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 2000
(Continued)

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

	<u>2000</u>	Cash and Cash Equivalents Deposits	Investments
GASB Statement 9		\$1,687,635	
Investments:			
STAROhio		(284,644)	\$284,644
Repurchase Agreement		(99,002)	99,002
Cash on Hand		(350)	0
GASB Statement 3		\$1,303,639	\$383,646

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2000 and 1999 were as follows:

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Enterprise	\$1,706,536	\$1,676,047	(\$30,489)

2000 Budgeted vs. Actual Budgetary Basis Disbursements

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
Enterprise	\$1,903,572	\$2,855,493	(\$951,921)

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Enterprise	\$1,655,294	\$1,641,545	(\$13,749)

1999 Budgeted vs. Actual Budgetary Basis Disbursements

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
Enterprise	\$1,743,382	\$1,768,446	(\$25,064)

NOTE 4 - RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents consist of savings accounts and certificates of deposit and represent amounts designated as reserved to comply with loan agreements with the U.S. Department of Agriculture Farmers Home Administration (FmHA) described more fully in Note 7.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 2000
(Continued)

NOTE 5 - CONTRIBUTED CAPITAL - GOVERNMENTAL

Contributed capital - governmental consist of grants from FmHA, FEMA, and amounts contributed to the District by various government agencies for the construction of water mains to serve customers. The District capitalizes the costs of such mains. Governmental grants for construction received in 1999 and 2000 amounted to \$0 and \$965,002, respectively.

NOTE 6 - CONTRIBUTED CAPITAL - MEMBERS' TAP FEES

The District uses the member's tap fees account to record tap fees collected from new customers (members). Tap fees collected in 1999 and 2000 amount to \$123,888 and \$79,981, respectively.

NOTE 7 - LONG-TERM DEBT

The District has the following notes payable at December 31, 1999 and 2000:

	<u>2000</u>	<u>1999</u>
5% note payable FmHA, payable in yearly installments of \$59,280, due in 2009, secured by property and equipment	\$ 419,767	\$ 456,594
5% note payable FmHA, payable in yearly installments of \$46,417, due in 2010, secured by property and equipment	339,164	367,508
5% note payable FmHA, payable in yearly installments of \$24,099, due in 2012 secured by property and equipment	210,449	225,826
0% note payable OPWC, payable in semi-annual installments of \$2,569, due in 2014, secured by property and equipment	69,362	74,500
0% note payable OPWC, total loan amount not drawn to date, secured by property and equipment	119,005	0
5% note payable FmHA, payable in semi-annual installments of \$28,245, due in 2017, secured by property and equipment	318,242	329,429
7.56% note payable OWDA, payable in semi-annual installments of \$21,895, including interest at 7.56%, due in 2017, secured by property and equipment	398,750	411,435
2% note payable OWDA, payable in semi-annual installments of \$42,559, due in 2018, secured by property and equipment	1,216,503	1,276,098
Note payable OWDA, total loan amount not drawn to date, secured by property and equipment	185,446	0

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 2000
(Continued)

NOTE 7 - LONG-TERM DEBT (Continued)

5% note payable FmHA, payable in yearly installments of \$8,064, due in 2029, secured by property and equipment

	121,700	123,891
	3,398,388	3,265,281
Less current maturities	173,960	172,042
Total long-term debt	\$ 3,224,428	\$ 3,093,239

The annual requirements to amortize all bonded debt outstanding, with the exception of the \$119,005 OPWC loan and the \$185,446 OWDA loan which are not fully drawn, as of December 31, 2000, including interest payments of \$1,089,164 are as follows:

Year Ending December 31	FmHA Notes Payable	OWDA Notes Payable	OPWC Notes Payable	Total Notes Payable
2001	\$ 166,105	\$ 128,907	\$ 5,138	\$ 300,150
2002	166,105	128,907	5,138	300,150
2003	166,105	128,907	5,138	300,150
2004	166,105	128,907	5,138	300,150
2005	166,105	128,907	5,138	300,150
2006-2010	738,498	644,536	25,690	1,408,724
2011-2015	231,178	644,536	17,983	893,697
2016-2020	91,999	214,025	0	306,024
Thereafter	73,906	0	0	73,906
Totals	\$1,966,106	\$2,147,632	\$ 69,363	\$4,183,101

Under its loan agreements with Farmers Home Administration, the District is required to maintain a reserve balance equal to one annual installment including principal and interest. The reserve balance at December 31, 2000 and 1999 was \$1,273,235 and \$1,191,794, respectively. These amounts exceeded the required reserve amount for the respective year.

NOTE 8 - PENSION PLAN

A. Public Employees Retirement System

1. Pension Benefit Obligation

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for employees is 8.5%. The 2000 employer rate for local government employer units was 10.84%, of covered payroll, 6.54% to fund the pension benefit obligation and 4.3% to fund health care.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 2000
(Continued)

NOTE 8 - PENSION PLAN (Continued)

A. Public Employees Retirement System (Continued)

1. Pension Benefit Obligation (Continued)

The contribution requirements of plan members and the Water District are established and may be amended by the Public Employees Retirement Board. The Water District's contributions to the PERS of Ohio for the year ending December 31, 1998, 1999, and 2000 was \$37,440, \$41,610, and \$36,449 respectively which was equal to the required contributions.

2. Other Postemployment Benefits

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

The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.3 percent was the portion that was used to fund health care for 2000. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

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

As of December 31, 1999 the actuarial value of net assets available for future OPEB payments was \$10,805,500,000. The number of active contributing participants at December 31, 1999 was 401,339. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

NOTE 9 - COMPENSATED ABSENCES

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

District employees who work on holidays and in an occasional overtime status are primarily paid on a current basis. However, in some instances the employees are permitted to accrue compensatory time to be taken as time off or to be paid at a later date. At December 31, 1999 and 2000, the total vested liability for accumulated unpaid vacation, sick leave and compensatory time recorded was \$90,765 and \$112,210, respectively.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 2000
(Continued)

NOTE 10 - DEFERRED COMPENSATION

District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was 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.

NOTE 11 - PROPERTY, PLANT & EQUIPMENT

A summary of the District's property, plant and equipment as of December 31, 2000 and 1999, are as follows:

	2000	1999
Land	\$ 48,454	\$ 48,454
Buildings	55,094	55,094
Mains, lines and meters	7,500,525	7,092,010
Storage Tanks	697,679	697,679
Radio Telemetry	215,218	215,218
Trucks, tractors and equipment	420,520	415,010
Office furniture and equipment	64,747	63,046
Construction in progress	900,389	74,828
Total Operating Facilities	9,902,626	8,661,339
Less: Accumulated Depreciation	(3,039,847)	(2,805,616)
Total Net Property, Plant & Equipment	\$ 6,862,779	\$ 5,855,723

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal years 1999 and 2000, the District contracted with Ohio Government Risk Management for real property, building contents, and vehicle insurance coverage.

Coverages provided by the program are as follows:

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

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

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

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

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

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Ohio Society of Certified Public Accountants

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

Board of Trustees
Northwest Regional Water District
P.O.Box 158
McDermott, Ohio 45652-0158

We have audited the general purpose financial statements of the Northwest Regional Water District, Scioto County, as of and for the years ended December 31, 1999 and 2000, and have issued our report thereon dated March 23, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying Schedule of Findings as item 2000-570541-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated March 23, 2001.

Board of Trustees
Northwest Regional Water District
McDermott, Ohio 45652
Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in
Accordance with GAS
Page 2

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

Balestra & Company
Balestra & Company
March 23, 2001

**NORTHWEST REGIONAL WATER DISTRICT
 SCIOTO COUNTY
 SCHEDULE OF FINDINGS
 DECEMBER 31, 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2000-570541-001

Noncompliance Citation

Section 5705.41(B), ORC, states that no subdivisions or taxing unit is to expend money unless it has been appropriated.

The following instances were noted where the expenditures exceeded appropriations at year end:

Fund	Amount
Enterprise 1999	\$ 25,064
Enterprise 2000	\$ 951,921

We recommend that the expenditures of the District not exceed the appropriations at the legal level of control. Appropriations should be modified throughout the year. The Office Manager should not approve payments exceeding appropriations. The Office Manager should request an increase in appropriations from the Board before making these payments.

CORRECTIVE ACTION PLAN

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2000-570541-001	Management will monitor their budget to ensure compliance with ORC Section 5705.41(B).	12/31/2001	Lois Slye, Office Manager



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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NORTHWEST REGIONAL WATER DISTRICT

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 19, 2001**