

Scioto County Regional Water District #1

Scioto County

Regular Audit

January 1 , 2001 Through December 31, 2001

Fiscal Year Audited Under GAGAS: 2001

**BALESTRA & COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

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Telephone (740) 289-4131  
Fax (740) 289-3639 E-Mail: mbalcpa@bright.net





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
Columbus, Ohio 43215

Telephone 614-466-4514  
800-282-0370

Facsimile 614-728-7398  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Board of Trustees  
Scioto County Regional Water District Number One  
P.O. Box 310  
Lucasville, Ohio 45648

We have reviewed the Independent Auditor's Report of the Scioto County Regional Water District Number One, Scioto County, prepared by Balestra & Company, for the audit period January 1, 2001 through December 31, 2001. 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 Scioto County Regional Water District Number One is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

June 14, 2002

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SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

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Ohio Society of Certified Public Accountants

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P.O. Box 310  
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**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying general purpose financial statements of the Scioto County Regional Water District Number One (the District), Scioto County, as of and for the year ended December 31, 2001. 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 auditing standards generally accepted in the United States of America 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 Scioto County Regional Water District Number One, as of December 31, 2001, and the results of its operations and cash flows of its proprietary fund type for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2002 on our consideration of the District's internal control over financial reporting and our tests 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.

As described in note 2 of the notes to the general purpose financial statements, the District implemented Governmental Accounting Standards Board Statement No.33, *Accounting and Financial Reporting for Non-exchange Transactions*, and Governmental Accounting Standards Board Statement No.36, *Recipient Reporting for Certain Shared Non-exchange Revenues* (an amendment of GASB Statement No.33).

**Balestra & Company**  
Balestra & Company

March 22, 2002

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

BALANCE SHEET  
AS OF DECEMBER 31, 2001

**Assets:**

Current Assets:

Cash and Cash Equivalents	\$ 42,879
Investments	807,102
Accounts Receivable	529,470
Deposits	2,865
Prepaid Expenses	30,511
Inventories	<u>61,554</u>
Total Current Assets	1,474,381

Deferred Charges 44,310

Restricted Assets:

Investments 365,921

Fixed Assets net of Accumulated Depreciation 5,766,785

Total Assets \$7,651,398

**Liabilities and Fund Equity:**

Current Liabilities:

Accounts Payable	\$ 113,106
Compensated Absences Payable	67,967
Employee's Withholdings Payable	5,821
Revenue Bonds & Loans Payable	157,080
Unset Water Taps Payable	22,550
Contracted Debt Payable	<u>5,880</u>
Total Current Liabilities	372,404

Noncurrent Liabilities:

OPWC Loan Payable	310,895
Revenue Bonds Payable	<u>2,355,000</u>
Total Noncurrent Liabilities	<u>2,665,895</u>

Total Liabilities 3,038,298

Fund Equity:

Contributed Capital - Customers	2,076,140
Retained Earnings - Designated	700,000
Retained Earnings - Unreserved	<u>1,836,959</u>
Total Fund Equity	<u>4,613,099</u>

Total Liabilities and Fund Equity \$7,651,398

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



SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
FOR THE YEAR ENDED DECEMBER 31, 2001

Operating Revenues:	
Water Sales	\$3,049,692
Tap Fees	77,055
Lab Tests	3,197
Miscellaneous	<u>162,053</u>
Total Operating Revenues	3,291,997
Operating Expenses:	
Water Tap and New Line Installations	45,856
Supply and Treatment	720,395
Distribution	683,717
Administration and Billing	365,106
Board Expenses	8,042
Depreciation	<u>483,150</u>
Total Operating Expenses	<u>2,306,266</u>
Operating Income	985,731
Nonoperating Revenues (Expenses):	
Interest Income	57,192
Interest Expense	<u>(181,718)</u>
Total Nonoperating Revenues (Expenses)	<u>(124,526)</u>
Net Income	861,205
Retained Earnings, January 1, 2001 (Restated -see note 11)	<u>1,675,753</u>
Retained Earnings, December 31, 2001	<u>\$2,536,959</u>

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

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2001

Cash flows from operating activities:	
Cash received from customers	\$3,439,541
Cash paid to suppliers & employees for goods and services	<u>(1,975,140)</u>
Net cash provided by operating activities	1,464,401
Cash flows from capital financing activities:	
Payments for capital acquisitions	(802,252)
Principal payments on long term notes	(11,590)
Principal payments - bonds	(1,090,000)
Interest paid on revenue bonds	<u>(181,718)</u>
Net cash provided by capital financing activities	(2,085,560)
Cash flows from investing activities:	
Interest earned	<u>57,192</u>
Net increase/decrease in cash and cash equivalents	(563,967)
Cash and cash equivalents, January 1, 2001	<u>606,846</u>
Cash and cash equivalents, December 31, 2001	<u>\$ 42,879</u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating Income	\$ 985,731
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation Expense	483,150
Deferred Charges	4,421
(Increase)Decrease in Accounts Receivable	147,545
(Increase)Decrease in Deposits	1,660
(Increase)Decrease in Prepaid Items	(23,850)
(Increase)Decrease in Materials and Supplies Inventory	(583)
Increase(Decrease) in Accounts Payable	(161)
Increase(Decrease) in Employee's Withholding Payable	2,570
Increase(Decrease) in Compensated Absences Payable	7,975
Increase(Decrease) in Unset Water Taps Payable	7,000
Increase(Decrease) in Contracted Debt Payable	<u>(151,057)</u>
Total Adjustments	<u>478,670</u>
Net Cash Provided by Operating Activities	<u>\$ 1,464,401</u>

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

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

Bloom Township  
Clay Township  
Harrison Township  
Jefferson Township  
Madison Township  
Porter Township  
Valley Township  
Vernon Township  
South Webster Village

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 Scioto County Regional Water District Number One utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned. Un-billed water utility service receivables are recorded at year end.

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

Under the guidelines of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the Water District has elected not to apply FASB Statements and Interpretations issued after November 30, 1989, to its proprietary activities.

C. BUDGETARY PROCESS

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

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BUDGETARY PROCESS (Continued)

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

A summary of 2001 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 Scioto County Regional Water District Number One has been entirely from customers as of 12/31/01.

E. PROPERTY, PLANT, AND EQUIPMENT

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:

Supply Facilities, Wells & Pumps	8 years
Transportation Equipment	5 years
Water Treatment Plant	40 years
Other Equipment	5 years
Distribution System & Lines	40 years
Furniture and Other Equipment	10 years

F. INVENTORY

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

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(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 as available to those employees with ten years or more of service up to a maximum of four-hundred-eighty hours.

H. PENSIONS

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

I. CASH & CASH EQUIVALENTS

To improve cash management, cash received by the District is pooled. The proprietary fund's interest in the pool is presented as "cash and cash equivalents" on the balance sheet.

During fiscal year 2001, investments were limited to U.S. Treasury Obligations and Treasury Reserve Fund.

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

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

J. FUND ACCOUNTING

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

PROPRIETARY FUND

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

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. FUND ACCOUNTING (Continued)

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.

K. DEFERRED CHARGES

Non-regularly recurring, noncapital costs of operations that benefit future periods. These costs include those incurred in connection with deferred hydrology, hydrology study, and long and short term sludge plan. Deferred charges expense for 2001 was \$4,421 leaving a balance of \$44,310.

L. PREPAID EXPENSES

Charges entered in the accounts for benefits not yet received. Prepaid expenses differ from deferred charges in that they are spread over a shorter period of time than deferred charges and are regularly recurring costs of operation. Prepaid expenses for 2001 were \$30,511.

M. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

N. DESIGNATED RETAINED EARNINGS

The Board has designated \$700,000 of retained earnings for plant (\$200,000) and main line upgrades (\$500,000).

NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLES

For the year ended December 31, 2001, the District implemented GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, and GASB Statement No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues*. These statements establish accounting and financial reporting standards for non-exchange transactions. The implementation of GASB Statements No. 33 and 36 had no prior period effect.

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)

NOTE 3 - 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;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

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

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 year end, the carrying amount of the District's deposits was \$42,479 and the bank balance was \$94,997. The bank balance was covered entirely by federal depository insurance.

**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.

	Category 1	Category 3	Carrying Amount	Fair Value
Treasury Reserve Fund	\$ 82,956	\$0	\$82,956	\$82,956
U.S. Treasury Obligations	\$1,090,067	\$0	\$1,090,067	\$1,090,067
Total Investments			\$1,173,023	\$1,173,023

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."



SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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:

	Cash and Cash Equivalents Deposits	Investments
GASB Statement 9	\$42,879	\$1,173,023
Cash on Hand	(400)	0
Investments:		
Treasury Reserve Fund		
GASB Statement 3	\$42,479	\$1,173,023

NOTE 4 - BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2001 is as follows:

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Enterprise	\$2,828,000	\$3,349,189	\$521,189

2001 Budgeted vs. Actual Budgetary Basis Disbursements

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
Enterprise	\$2,738,578	\$2,487,984	\$250,594

NOTE 5 - DEBT OBLIGATIONS

Debt outstanding at December 31, 2001, consisted of the following:

Water System Revenue Refunding & Improvement Bonds	
Principal Outstanding	\$ 2,495,000
Interest Rate	4.25%
OPWC Loans	
Principal Outstanding	\$ 327,975
Interest Rate	0.00%

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)

NOTE 5 - DEBT OBLIGATIONS (Continued)

The revenue refunding and improvement bonds are special obligations of the District, payable solely from the pledged revenues of its water system and the revenue fund created under the indenture. The bonds were issued to fund capital expenditures to improve the system.

The OPWC loans were issued for the purpose of financing the fairgrounds road waterline and Clarktown Water Tank, respectively. Revenue of the District has been pledged to repay this debt.

The annual requirements to amortize all bonded debt outstanding as of December 31, 2001, including interest payments of \$948,271, are as follows:

<u>Year Ending December 31</u>	<u>Revenue Refunding Bonds</u>
2002	\$ 262,538
2003	261,372
2004	259,808
2005	262,752
2006	260,195
2007-2011	1,314,279
2012-2014	<u>822,327</u>
Total	<u>\$ 3,443,271</u>

The annual requirements to amortize all loan debt outstanding as of December 31, 2001 is as follows:

<u>Year Ending December 31</u>	<u>OPWC Loan</u>
2002	\$ 17,152
2003	17,152
2004	17,152
2005	17,152
2006	17,152
2007-2011	85,761
2012-2016	85,761
2017-2021	<u>70,693</u>
Total	<u>\$ 327,975</u>

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2001  
(Continued)

NOTE 6 - 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 year 2001, 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	\$383,750
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, Blue Cross & Blue Shield, 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.

NOTE 7 - 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 percent. The 2001 employer rate for local government employer units was 13.55 percent, of covered payroll, 9.22 percent to fund the pension benefit obligation and 4.30 percent to fund health care. 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, 1999, 2000, and 2001 was \$117,028, \$185,852 and \$186,376 respectively which was equal to the required contributions.

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2001  
(Continued)

NOTE 7 - PENSION PLAN (Continued)

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 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001. 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, 2000 the unaudited estimated net assets available for future OPEB payments were \$11,735,900,000. The number of benefit recipients eligible for OPEB at December 31, 2000 was 411,079.

NOTE 8 - 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 up to a maximum of 480 hours; 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, 2001, the total vested liability for accumulated unpaid vacation, sick leave and compensatory time recorded was \$67,967.

SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001  
(Continued)

NOTE 9 -FIXED ASSETS

A summary of the District's fixed assets as of December 31, 2001, are as follows:

Land and Rights of Way	\$ 160,332
Supply Facilities, Wells & Pumps	858,554
Water Treatment Plant	3,410,764
Distribution System & Lines	6,716,961
Furniture and Other Office Equipment	92,919
Transportation Equipment	307,384
Other Equipment	899,849
Construction in Progress - Rider Well	29,975
Construction in Progress - Mechanics Garage	26,561
Construction in Progress - South Webster Valve Station	9,687
Construction in Progress - New Filter Room	<u>6,534</u>
 Total Fixed Assets	 12,519,520
 Less Accumulated Depreciation	 <u>(6,752,735)</u>
 Total Net Fixed Assets	 <u><u>\$ 5,766,785</u></u>

NOTE 10 -CONTINGENCIES

The District is party to legal proceedings. The District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

NOTE 11 - PRIOR PERIOD RESTATEMENT

For the year ended December 31, 2001 the following prior period adjustments were made to the December 31, 2000 retained earnings to correct errors in prior periods, resulting in the following restatement of retained earnings:

Retained Earnings at 12/31/00	Prior Period Adjustments	Restated Retained Earnings at 1/1/2001
\$1,672,031	\$3,722	\$1,675,753

**BALESTRA & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

Telephone (740) 289-4131  
Fax (740) 289-3639 E-Mail: mbalcpa@bright.net

Member American Institute of Certified Public Accountants

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 GOVERNMENT AUDITING  
STANDARDS**

Board of Trustees  
Scioto County Regional Water District Number One  
P.O.Box 310  
Lucasville, Ohio 45648

We have audited the general purpose financial statements of the Scioto County Regional Water District Number One (the District), Scioto County, as of and for the year ended December 31, 2001, in which we indicated the District had changed its method of accounting for non-exchange transactions, and have issued our report thereon dated March 22, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 and 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 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. However, we noted other matters involving internal control over financial reporting, which we have reported to the management in a separate letter dated March 22, 2002.

Board of Trustees  
Scioto County Regional Water District Number One  
Lucasville, Ohio 45648  
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in  
Accordance With *Government Auditing Standards*.  
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 22, 2002







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**SCIOTO REGIONAL WATER DISTRICT NUMBER ONE**

**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  
JULY 2, 2002**