

TRI-CITIES NORTH REGIONAL  
WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2005

Submitted by:  
David J. Heckler  
General Manager





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Tri-Cities North Regional Wastewater Authority  
3777 Old Needmore Road  
Dayton, Ohio 45424

We have reviewed the *Independent Auditors' Report* of the Tri-Cities North Regional Wastewater Authority, Montgomery County, prepared by Clark, Schaefer, Hackett & Co. for the audit period January 1, 2005 through December 31, 2005. 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 Tri-Cities North Regional Wastewater Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

June 13, 2006

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TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2005

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3777 Old Needmore Road  
Dayton, OH 45424  
(937) 236-6558  
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May 5, 2006

Citizens, Taxpayers and Consumers of the Cities of Huber Heights, Vandalia and Tipp City  
Board of Trustees 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 sixth Comprehensive Annual Financial Report (CAFR) for the Tri-Cities North Regional Wastewater Authority (Tri-Cities). This report for the year ended December 31, 2005, 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 it has 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.

Clark, Schaefer, Hackett & Co., Certified Public Accountants, have issued an unqualified ("clean") opinion on the Tri-Cities North Regional Wastewater Authority financial statements for the year ended December 31, 2005. The independent's 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. MD&A complement 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 manage, operate and maintain 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.

Tri-Cities is a joint venture among the Cities of Huber Heights, Vandalia, and Tipp City. 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 management board 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.

Although not required under Ohio Revised Code, an annual operating budget is adopted for management purposes. Budget information is reported to the management board of trustees, and modifications may only be made by resolution of the management 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 percent of the pollutants are removed. A separate, advanced secondary step biologically removes ammonia. With more than 95 percent 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 improves the efficiency of sludge injection because it replaces the use of tankers on most 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 percent 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 drive raw sewage pumps and turn generators that produce 100 percent 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 evaluate, monitor and inspect the pipelines that convey sewage to the treatment plant. A special video camera is



lowered into the sewers and records their condition on videocassette, which is useful for evaluating and prioritizing major sewer system repairs. 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. A grout packer is often used to seal minor leaks. The inspection vehicle is also equipped with portable meters 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, and employee training and certification is encouraged 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 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 is experiencing significant growth in housing and several new subdivisions are currently being built out. Additional flows associated with these developments were thoroughly reviewed during the planning phase by Tri-Cities' technical committee and associated capital projects planned accordingly to accommodate this as well as future growth in the region. The parallel force main project which was recently completed will convey the increased flows from developments in Tipp City as well as the Northwoods Industrial Park and northeast area of Vandalia.

Manufacturing in Tri-Cities service area is facing the same type of downturn that is occurring throughout Ohio. 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. While this downturn reduces some of the Industrial Pretreatment activity, Tri-Cities' overall plan recognizes that new business activities may ultimately occupy these facilities and plans accordingly.

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

Tri-Cities grew financially during 2005. Continued sound fiscal management coupled with the assistance of members of Tri-Cities' Finance Committee provided financial stability and growth for the organization with net assets increasing by \$913,638.

### **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.

While Tri-Cities is not required to adopt an annual budget, it does so for management purposes. This has proven beneficial due to the 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 operates in a continuous improvement approach to meet its mission and contain costs. It is worth noting that Tri-Cities' annual O&M revenue requirement is the same today that it was in 1996 and the entity has not raised rates since its inception. Budget forecasts prepared for financing of the Wildcat Road farm expansion and improvements project illustrate that Tri-Cities will not require a rate increase during the ten year life of the loan.

### **Major Initiatives**

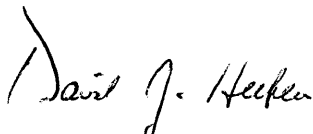
The 2005 budget included funding for development of a comprehensive master plan for Tri-Cities' service area that will provide information needed for policy making and will also be used to refine the capital improvement plan. A subset of this project includes further development of a computer model of the entire sewer system that will be used to simulate hydraulic conditions under various build-out scenarios which will be beneficial in prioritizing capital improvements. It is anticipated that this initiative will be completed in 2006 in time for preparation of the 2007 budget.

### **Awards and Acknowledgements**

The United States Environmental Protection Agency awarded the Tri-Cities North Regional Wastewater Authority and its contract operator, Veolia Water North America, a 2005 National Honorable Mention Clean Water Act Recognition Award for Exemplary Biosolids Management for effective land application of biosolids using creative arrangements and procedures to implement the project, control and track operations, limit off-site impacts and maintain positive community relations.

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, 2004. This was the fifth 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 thank Brenda K. Gossett who contributed much time and effort in helping me prepare this report and I also thank Carol M. Riggle, CPA, for guidance and help in preparing this report.



David J. Heckler  
General Manager

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
LIST OF PRINIPAL OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2005

BOARD OF TRUSTEES

Jeff Hoagland	City Manager, City of Vandalia
David A. Collinsworth	City Manager, City of Tipp City
James W. Pierce	City Manager, City of Huber Heights

APPOINTED OFFICAL

David J. Heckler	General Manager and Assistant Secretary
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FINANCE COMMITTEE

Lori Koch	Finance Director, City of Vandalia
Richard Drennen	Finance Director, City of Tipp City
Catherine Armocida	Finance Director, City of Huber Heights

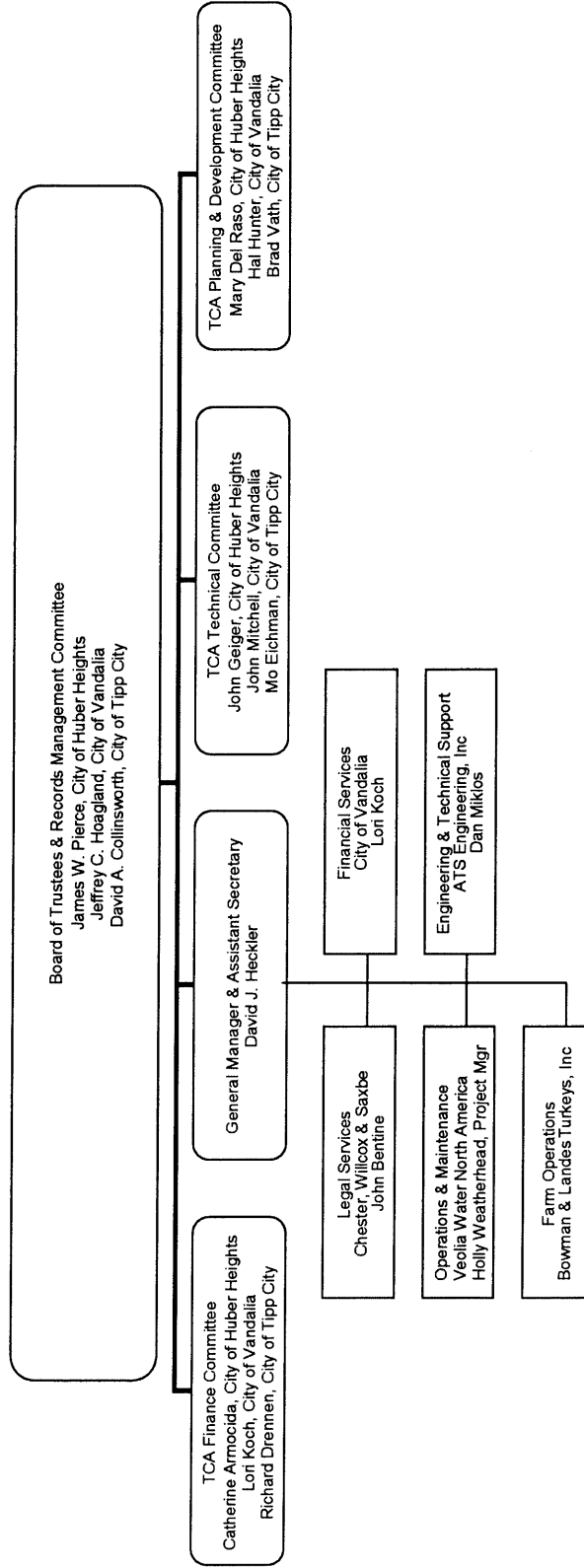
TECHNICAL COMMITTEE

John Mitchell	City Engineer, City of Vandalia
John Geiger	City Engineer, City of Huber Heights
Mo Eichman	Director of Utilities, City of Tipp City

PLANNING AND DEVELOPMENT COMMITTEE

Hal Hunter	Assistant City Manager, City of Vandalia
Mary Del Raso	Planning & Development Director, City of Huber Heights
Brad Vath	Assistant City Manager, City of Tipp City

# TCA Organization



# 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, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Carla E. Fudge*

President

*Jeffrey R. Emmer*

Executive Director



Clark, Schaefer, Hackett & Co.  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Trustees  
Tri-Cities North Regional Wastewater Authority  
3777 Old Needmore Road  
Dayton, Ohio 45424

We have audited the accompanying financial statements of the Tri-Cities North Regional Wastewater Authority (the Authority) as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tri-Cities Wastewater Authority as of December 31, 2005, and the changes in financial position and cash flows, where applicable, for the year then 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 May 5, 2006, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Revenues, Expenses, and Changes in Fund Equity, Budget Basis and Actual, the introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedule of Revenues, Expenses and Changes in Fund Equity, Budget Basis and Actual has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Clark, Schaefer, Hutchitt & Co.*

Springfield, Ohio  
May 5, 2006

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED

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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, 2005. 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.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

### **Financial Highlights**

Key Financial highlights for 2005 are as follows:

- Total net assets increased \$913,638 which represents a 4% increase from 2004.
- Total assets increased \$1,585,749 which represents a 5% increase from 2004. This increase is due to capital asset additions for the parallel force main project, Wildcat Road farm expansion and improvements project, Ross road pump station improvements project, and the real time monitoring project.
- Total liabilities increased by \$672,111. Current liabilities decreased \$1,577,408. Non-current liabilities increased by \$2,249,519. These variances are resulting primarily from timing of principal and interest payments on Tri-Cities' OWDA loans and new loan agreements entered into during 2005.
- 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**

This annual report consists of three parts, the MD&A, the basic financial statements, and an optional section that contains budgetary information. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, and a statement of cash flows. Since Tri-Cities only uses one fund for its operations, the entity wide and the fund presentations information is the same.

### **Statement of Net Assets**

The Statement of Net Assets answers the question, "How did we do financially during 2005?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, 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 assets, 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  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED

Table 1 provides a summary of Tri-Cities' net assets for 2005 compared to 2004.

Table 1 Net Assets		
	2004	2005
<b>Assets:</b>		
Current Assets	\$6,770,477	\$4,865,911
Depreciable Capital Assets, Net	22,935,165	24,176,775
Land and Construction in Progress	2,184,785	4,433,490
<b>Total Assets</b>	<b>31,890,427</b>	<b>33,476,176</b>
<b>Liabilities:</b>		
Current and Other Liabilities	2,110,981	533,573
Long-Term Liabilities	6,274,115	8,523,634
<b>Total Liabilities</b>	<b>8,385,096</b>	<b>9,057,207</b>
<b>Net Assets:</b>		
Invested in Capital Assets, Net		
of Related Debt	17,372,832	19,757,295
Unrestricted	6,132,499	4,661,674
<b>Total Net Assets</b>	<b>\$23,505,331</b>	<b>\$24,418,969</b>

The net assets of Tri-Cities increased \$913,638 or 4.0 percent. 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. Although a 3.9 percent increase in net assets may not seem that impressive, the reader must remember that Tri-Cities' intent is not to profit from this operation but to recover costs. Unrestricted Net Assets decreased by \$1,470,825, and Invested in Capital Assets, Net of Related Debt increased by \$2,384,463. This was the result of the capital asset additions for the parallel force main project, Wildcat Road farm expansion and improvements project, Ross Road pump station improvements project, and the real time monitoring project and two new OWDA loans for these projects. Total liabilities increased \$672,111 with the majority of this increase in long term liabilities associated with the two new OWDA loans.

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED

Table 2 shows the changes in net assets for the year ended December 31, 2005, as well as revenue and expense comparisons to 2004.

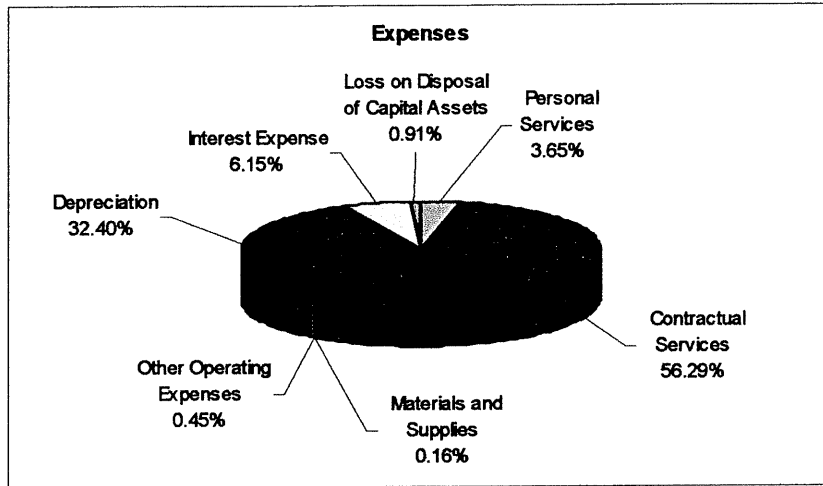
Table 2  
Changes in Net Assets

	2004	2005
Operating Revenues:		
Charges for Services	\$3,297,670	\$3,301,968
Rentals	43,135	56,295
Other Revenues	5,488	7,307
Non Operating Revenues:		
Interest Income	94,337	122,547
<b>Total Revenues</b>	<b>3,440,630</b>	<b>3,488,117</b>
Operating Expenses:		
Personal Services	88,661	93,860
Contractual Services	1,448,016	1,449,202
Materials and Supplies	4,526	4,098
Other Operating Expenses	33,298	11,501
Depreciation	817,956	834,059
Non Operating Expenses		
Interest Expense	189,207	158,243
Loss on Disposal of Capital Asset	0	23,516
Claims and Judgments	188,500	0
<b>Total Expenses</b>	<b>2,770,164</b>	<b>2,574,479</b>
Increase in Net Assets	670,466	913,638
Net Assets Beginning of Year	22,834,865	23,505,331
<b>Net Assets End of Year</b>	<b>\$23,505,331</b>	<b>\$24,418,969</b>

Tri-Cities' only activity is business-type activity, which is the operation of the wastewater treatment plant (including associated piping and facilities). The wastewater treatment plant treats sewage from the three member communities and a small portion of Miami County. 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. Rates charged for usage remained constant from 2004 through 2005. Tri-Cities' board retained an outside contractor to manage daily operations and these amounts are reflected as part of the contractual services expense. During 2005, the plant generated revenues from charges for services in excess of \$3.3 million and had total expenses of approximately \$2.6 million. Aggressive investing practices earned interest income of \$122,547 for Tri-Cities during 2005, which reflects a increase of \$28,210 from 2004. The increase is due to higher interest rates. The interest expense of \$158,243 for 2005 resulted from outstanding loans from the Ohio Water Development Authority (OWDA).

Contractual services make up 56% 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.

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
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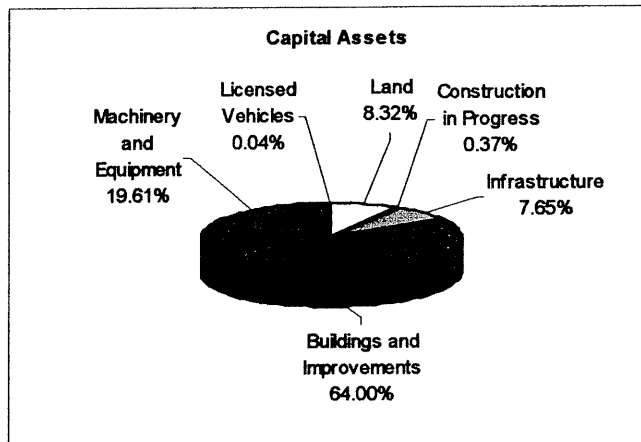
**Capital Assets and Debt Administration**

**Capital Assets**

**Table 3**  
 Capital Assets, Net of Depreciation

	2004	2005
Land	\$2,091,104	\$3,766,338
Construction in Progress	93,681	667,152
Infrastructure	1,922,825	3,217,956
Buildings and Improvements	16,076,581	16,097,265
Machinery and Equipment	4,926,489	4,606,366
Licensed Vehicles	9,270	255,188
<b>Totals</b>	<b>\$25,119,950</b>	<b>\$28,610,265</b>

A review of Table 3 shows that capital assets (net of depreciation) increased \$3,490,315. The increase is due to capital asset additions for the parallel force main project, Wildcat Road farm expansion and improvements project, Ross Road pump station improvements project, and the real time monitoring project.



TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED

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

**Debt**

At December 31, 2005, Tri-Cities had four outstanding OWDA loans totaling \$8,852,970; \$340,594 of which is due within one year. This reflects a \$1,105,852 overall increase from 2004 in the OWDA loans liability.

Table 4  
Outstanding Debt at Year End

	2004	2005
OWDA Loans Payable:		
1993 OWDA Loan 9.98%	\$1,105,980	\$0
2000 OWDA Loan 4.66%	1,675,761	1,432,222
2001 OWDA Loan 0.27%	4,965,377	4,732,125
2004 OWDA Loan 3.79%	0	1,573,816
2004 OWDA Loan 4.00%	0	1,114,807
<b>Total</b>	<b>\$7,747,118</b>	<b>\$8,852,970</b>

The 1993 loan was received by the Miami Conservancy District and assumed by Tri-Cities when the joint venture was formed. This loan was assumed by Tri-Cities when it was deeded the treatment plant from the District and was retired in 2005. 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 improvement project and it matures in 2022. The 2004 loan carrying a 3.79% interest rate was issued for the Sludge Storage Facility & Sludge Application Farm. The 2004 loan carrying a 4.0% interest rate was issued for the parallel force main sewer project.

See Note 6 of the notes to the basic financial statements for more detailed information.

**Current Financial Issues and Concerns**

At December 31, 2005, Tri-Cities had total assets of \$33,476,176 and total net assets of \$24,418,969 which resulted from a change in net assets of \$913,638. This represents a return on assets of 2.73 percent and a return on net assets of 3.74 percent during 2005. Ongoing prudent management of Tri-Cities' resources by the Board of Trustees provided financial growth during 2005.

**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, 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 ASSETS  
DECEMBER 31, 2005

Assets:

Current Assets:

Cash and Cash Equivalents and Investments	\$4,565,813
Accounts Receivable from Related Parties	270,372
Accounts Receivable	25,402
Accrued Interest Receivable	4,324
<b>Total Current Assets</b>	<b>4,865,911</b>

Noncurrent Assets:

Depreciable Capital Assets, Net	24,176,775
Construction in Progress	667,152
Land	3,766,338
<b>Total Noncurrent Assets</b>	<b>28,610,265</b>

<b>Total Assets</b>	<b>33,476,176</b>
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Liabilities:

Current Liabilities:

Accounts Payable	155,753
Accrued Wages and Benefits Payable	865
Intergovernmental Payable	2,010
Retainage Payable	32,150
Current Portion of Compensated Absences Payable	2,201
Current Portion of OWDA Loans	340,594
<b>Total Current Liabilities</b>	<b>533,573</b>

Noncurrent Liabilities:

Compensated Absences Payable	11,258
OWDA Loans	8,512,376
<b>Total Noncurrent Liabilities</b>	<b>8,523,634</b>

<b>Total Liabilities</b>	<b>9,057,207</b>
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Net Assets:

Invested in Capital Assets, Net of Related Debt	19,757,295
Unrestricted	4,661,674
<b>Total Net Assets</b>	<b>\$24,418,969</b>

See accompanying notes to the basic financial statements

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2005

Operating Revenues:	
Charges for Services	\$3,301,968
Rentals	56,295
Other Operating Revenues	7,307
Total Operating Revenues	3,365,570
Operating Expenses:	
Personal Services	93,860
Contractual Services	1,449,202
Materials and Supplies	4,098
Other Operating Expenses	11,501
Depreciation	834,059
Total Operating Expenses	2,392,720
Operating Income	972,850
Nonoperating Revenues (Expenses):	
Interest Income	122,547
Interest and Fiscal Charges	(158,243)
Loss on Disposal of Fixed Assets	(23,516)
Total Nonoperating Revenues (Expenses)	(59,212)
Change in Net Assets	913,638
Net Assets Beginning of Year	23,505,331
Net Assets End of Year	\$24,418,969

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, 2005

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:	
Cash Received from Customers	\$3,449,479
Other Operating Revenues	89,744
Cash Payments for Employee Services and Benefits	(91,395)
Cash Payments to Suppliers for Goods and Services	<u>(1,800,510)</u>
Net Cash Provided by Operating Activities	<u>1,647,318</u>
Cash Flows from Capital and Related Financing Activities:	
Principal Paid on OWDA Loan Payable	(1,823,701)
Interest Paid on OWDA Loan Payable	(258,740)
Proceeds from OWDA Loan	2,929,553
Acquisition of Capital Assets	<u>(4,347,890)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(3,500,778)</u>
Cash Flows from Investing Activities:	
Interest	<u>129,170</u>
Net Cash Provided by Investing Activities	<u>129,170</u>
Net Increase in Cash and Cash Equivalents	(1,724,290)
Cash and Cash Equivalents Beginning of Year	<u>6,125,162</u>
Cash and Cash Equivalents End of Year	<u><u>\$4,400,872</u></u>
Reconciliation of Operating Income to	
Net Cash Provided by Operating Activities:	
Operating Income	\$972,850
Adjustments:	
Depreciation	834,059
(Increase)/Decrease in Assets:	
Decrease in Accounts Receivable	173,653
Increase/(Decrease) in Liabilities:	
Decrease in Retainage Payable	(148,500)
Decrease in Contracts Payable	(14,000)
Decrease in Claims and Judgments Payable	(188,500)
Increase in Accounts Payable	15,291
Increase in Accrued Wages and Benefits Payable	42
Increase in Intergovernmental Payable	812
Increase in Compensated Absences Payable	<u>1,611</u>
Net Cash Provided by Operating Activities	<u><u>\$1,647,318</u></u>

Non-cash Investing Activities:

Tri-Cities had a decrease in the fair value of investments in the amount of \$24,955 during 2005.

See accompanying notes to the basic financial statements

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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**NOTE 1 - 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 31, 2005, and 2004.

	2005	2004
Vandalia	27.22%	27.55%
Tipp City	19.33	19.49
Huber Heights	53.45	52.96
Total	100.00%	100.00%

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.



TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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. Tri-Cities also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. Tri-Cities has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The more significant of the Tri-Cities accounting policies are described below.

**A. Basis of Presentation**

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

Tri-Cities uses 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 assets, 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.

**B. Measurement Focus**

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of Tri-Cities are included on the statement of net assets. The statement of changes in net assets 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.

**C. 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.

**D. Investments**

During 2005, investments included a repurchase agreement, a money market mutual fund, commercial paper, Federal Home Loan Bank (FHLB) bonds and Federal Farm Credit Bonds, and a Freddie Mac bond.

Investments are reported at fair value which is based on quoted market prices, except for nonparticipating repurchase agreement, which are reported at cost. For investments in open-end mutual funds, fair value is determined by the fund's current share price.

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

**E. Capital Assets**

Capital assets utilized by Tri-Cities are reported on the statement of net assets. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market 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:

Description	Estimated Lives
Infrastructure	65 years
Buildings and Improvements	45-50 years
Machinery and Equipment	5-15 years
Licensed Vehicles	6 years

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. For 2005, no material interest costs were incurred on construction projects for Tri-Cities.

**F. 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.

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**G. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are 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 assets are available. Tri-Cities did not have any restricted net assets for 2005.

**H. 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.

**I. 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 2005.

**J. 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 3 - 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.

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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**NOTE 3 - DEPOSITS AND INVESTMENTS** (continued)

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.

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 State or Federal Savings and Loan Associations which are insured by the FDIC.

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 3 - DEPOSITS AND INVESTMENTS** (continued)

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 percent of the portfolio, at the time of investment, is invested in commercial paper.

**Deposits**

At year-end, the carrying amount of Tri-Cities deposits was \$1,193,679 and the bank balance was \$1,316,467. \$100,000 of Tri-Cities deposits was insured by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005, \$1,216,467 of Tri-Cities bank balance of \$1,316,467 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in Tri-Cities name.

**Investments**

At December 31, 2005, Tri-Cities had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Freddie Mac Bond	2008	\$245,975
Federal Home Loan Bank Bond	2008	946,105
Federal Home Loan Bank Bond	2009	328,763
Federal Home Loan Bank Bond	2010	247,188
Federal Farm Credit Bank Bond	2008	244,845
GE Interest Plus	less than 1 year	475,162
Fifth Third US Treasury Money Market	22 days	884,096
		<u>\$3,372,134</u>

**Interest Rate Risk** – 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** – Tri-Cities investment policy limits investment in prime commercial paper to those with a credit rating of P-1 by Standard & Poor's Corporation or A-1 by Moody's rating service.

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 3 - DEPOSITS AND INVESTMENTS** (continued)

The following are the credit ratings for the School District's investments:

<u>Investment</u>	<u>Credit Rating</u>
Freddie Mac Bond	AAA
Federal Home Loan Bank Bonds	AAA
Federal Farm Credit Bank Bond	AAA
GE Interest Plus	AAA
Fifth Third US Treasury Money Market	AAA <sup>m</sup>

*Concentration of Credit Risk* - 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 percent 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 percent 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 percent of the portfolio.

<u>Investment</u>	<u>Percent</u>
Freddie Mac Bond	8%
Federal Home Loan Bank Bond	45%
Federal Farm Credit Bank Bond	7%
GE Interest Plus	14%
Fifth Third US Treasury Money Market	26%

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable represent monies due for rent and monies due from Earth Tech and Miami County. Accounts receivable from related parties are monies due from the City of Vandalia, City of Huber Heights and the City of Tipp City for their portion of sewage treatment services. No allowance for doubtful accounts has been recorded as all amounts are considered collectible. All receivables are expected to be collected within one year.

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance 12/31/2004	Additions	Deletions	Balance 12/31/2005
<b>Governmental Assets</b>				
<b><i>Capital Assets, not being depreciated</i></b>				
Land	\$2,091,104	\$1,675,234	\$0	\$3,766,338
Construction in Progress	93,681	1,952,895	(1,379,424)	667,152
Total Capital Assets, not being Depreciated	<u>2,184,785</u>	<u>3,628,129</u>	<u>(1,379,424)</u>	<u>4,433,490</u>
<b><i>Capital Assets, being depreciated</i></b>				
Infrastructure	2,576,199	1,379,424	0	3,955,623
Building and Improvements	18,132,948	424,118	0	18,557,066
Machinery and Equipment	7,603,746	44,909	(34,400)	7,614,255
Licensed Vehicles	83,946	250,734	0	334,680
Total Capital Assets, being depreciated	<u>28,396,839</u>	<u>2,099,185</u>	<u>(34,400)</u>	<u>30,461,624</u>
Less: Accumulated Depreciation				
Infrastructure	(653,374)	(84,293)	0	(737,667)
Building and Improvements	(2,056,367)	(403,434)	0	(2,459,801)
Machinery and Equipment	(2,677,257)	(341,516)	10,884	(3,007,889)
Licensed Vehicles	(74,676)	(4,816)	0	(79,492)
Total Accumulated Depreciation	<u>(5,461,674)</u>	<u>(834,059)</u>	<u>10,884</u>	<u>(6,284,849)</u>
Total Capital Assets, being depreciated, net	<u>22,935,165</u>	<u>1,265,126</u>	<u>(23,516)</u>	<u>24,176,775</u>
Governmental Activities Capital Assets, net	<u>\$25,119,950</u>	<u>\$4,893,255</u>	<u>(\$1,402,940)</u>	<u>\$28,610,265</u>

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 6 – LONG-TERM OBLIGATIONS**

Changes in OWDA loans payable during 2005 were as follows:

	Amount Outstanding 12/31/2004	Increases	Decreases	Amount Outstanding 12/31/2005	Amounts Due Within One Year
1993 OWDA Loan 9.98%	\$1,105,980	\$0	(\$1,105,980)	\$0	\$0
2000 OWDA Loan 4.66%	1,675,761	2,925	(246,464)	1,432,222	35,405
2001 OWDA Loan 0.27%	4,965,377	86,129	(319,381)	4,732,125	155,216
2004 OWDA Loan 3.79%	0	1,672,895	(99,079)	1,573,816	100,957
2004 OWDA Loan 4.00%	0	1,167,604	(52,797)	1,114,807	49,016
Totals OWDA Loans	<u>7,747,118</u>	<u>2,929,553</u>	<u>(1,823,701)</u>	<u>8,852,970</u>	<u>340,594</u>
Compensated Absences	<u>11,848</u>	<u>4,244</u>	<u>(2,633)</u>	<u>13,459</u>	<u>2,201</u>
Total Long-Term Obligations	<u>\$7,758,966</u>	<u>\$2,933,797</u>	<u>(\$1,826,334)</u>	<u>\$8,866,429</u>	<u>\$342,795</u>

The 1993 loan was originally received by the Miami Conservancy District during 1993 in the amount of \$8,100,589 and was assumed by Tri-Cities when it was deeded the treatment plant from the Miami Conservancy District in 1996. This loan was paid off during 2005.

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.

The 2001 loan was issued for the Ross Road pumping station improvement 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 2004 loan carrying a 3.79% interest rate was issued for the Sludge Storage Facility & Sludge Application Farm. The principal amount of the original loan is \$2,382,257, of which \$1,672,895 was received during 2005. The loan was issued with a final maturity of July 1, 2015. Current operations are expected to provide cash flows for the repayment of this loan.

The 2004 loan carrying a 4.0% interest rate was issued for interceptor sewer project. The principal amount of the original loan is \$1,167,604. The loan was issued with a final maturity of July 1, 2015. Current operations are expected to provide cash flows for the repayment of this loan.



TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 6 – LONG-TERM OBLIGATIONS** (continued)

The annual debt service requirements for payment of principal and interest at December 31, 2005, are as follows:

Year	Total	
	Principal	Interest
2006	\$340,594	\$107,977
2007	693,045	204,097
2008	709,369	187,773
2009	726,334	170,818
2010	743,942	153,199
2011-2015	3,294,810	434,451
2016-2020	2,131,077	117,566
2021-2022	213,799	3,794
	\$8,852,970	\$1,379,675

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 7 - RELATED PARTY TRANSACTION**

Tri-Cities was party to several transactions during 2005 involving the three member cities, which are summarized as follows:

**A. Accounts Receivable**

Accounts Receivable as of December 31, 2005, 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:

	2005
Vandalia	\$82,373
Tipp City	59,126
Huber Heights	128,873
	\$270,372

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 7 - RELATED PARTY TRANSACTION** (continued)

**B. Charges for Services**

Charges for services for 2005 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:

	2005
Vandalia	\$890,996
Tipp City	610,360
Huber Heights	1,749,299
Total	\$3,250,655

**NOTE 8 - 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 Baldwin & Whitney Insurance. Tri-Cities pays an annual premium to Baldwin & Whitney Insurance for this coverage.

The following is a list of insurance coverage and deductibles for 2005:

Coverage	Limit	Deductible
Property	\$17,396,296	\$1,000
General Liability:		
Per Occasion	1,000,000	1,000
Aggregate	3,000,000	1,000
Public Officials:		
Per Occasion	1,000,000	1,000
Aggregate	1,000,000	1,000
Umbrella	3,000,000	None
Electronic Data Processing	50,000	1,000
Contractors Equipment	1,027,122	None

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 8 - RISK MANAGEMENT** (continued)

Crime:		
Employee Dishonesty	50,000	250
Money and Securities	1,000	250
Boiler and Machinery	500,000	1,000
Automobile:		
Liability	1,000,000	None
Comprehensive	Actual Cash Value	100
Collision	Actual Cash Value	250
Uninsured Motorist	500,000	100
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.

**NOTE 9 - PUBLIC EMPLOYEES RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN**

Tri-Cities participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions, plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6701.

For the year ended December 31, 2005, 2004, and 2003 Tri-Cities employee elected the traditional plan and were required to contribute 8.5 percent of his annual covered salary. Tri-Cities' contribution rate for pension benefits for 2005 and 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

Tri-Cities' required contributions for pension obligations to the traditional plan for the years ended December 31, 2005, 2004, and 2003 were \$7,467, \$6,192, and \$5,959 respectively; 91.51 percent has been contributed for 2005 and 100 percent for 2004 and 2003.

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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**NOTE 10 - POSTEMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan – a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan – a defined contribution plan; and the combined plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the traditional and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage.

In order to qualify for postretirement health care coverage, age and service retirees under the traditional and combined plans must have 10 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 (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The assumptions and calculations are based on OPERS' latest actuarial review performed as of December 31, 2004. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for was 8.00 percent. An annual increase of 4.00 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4 percent base increase, were assumed to range from .50 percent and 6.3 percent. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years, (9 and beyond) health care costs were assumed to increase at 4.00 percent (the projected wage inflation rate).

The number of active contributing participants in the traditional and combined plans was 376,109 for 2005. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$3,128. The actual contribution and the actuarially required contribution amounts are the same.

OPERS's net assets available for payment of benefits at December 31, 2004, (the latest available information) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increases as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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**NOTE 11 - 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 employee has term life insurance through Protective Life Insurance Company.

**C. Compensated Absences**

*Accumulated Unpaid Vacation*

Tri-Cities' employee 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 \$2,201 at December 31, 2005.

*Accumulated Unpaid Sick Leave*

Tri-Cities' employee 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. The total obligation for sick leave accrual for Tri-Cities amounted to \$11,258 at December 31, 2005.

**NOTE 12 - CONTRACTUAL COMMITMENTS**

As of December 31, 2005, Tri-Cities had contractual purchase commitments as follows:

<u>Company/Project</u>	<u>Amount</u>
Choice One Engineering	\$75,430
Comprehensive Plan & Computer	160,000
Pump station modification	622,035
Maim Pump Station Improvements	177,700
Real Time on Line	182,094
United Survey Inc	65,324
Barger Property	70,000

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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**NOTE 13 – CHANGE IN ACCOUNTING PRINCIPLES**

Tri-Cities adopted the provisions of GASB Statement No. 40, "Deposit and Investment Risk Disclosures" for the year ended December 31, 2005. This statement modifies and expands existing disclosure requirements for deposits and investments. These additional disclosures can be found in note 3. Tri-Cities also adopted the provisions of Technical Bulletin 2004-2, Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers. This technical bulletin requires governments to recognize pension expenditures/expenses in the period to which a payment relates even if the payment is not due until the next fiscal period. This bulletin had no effect on net assets of Tri-Cities. Finally, Tri-Cities adopted the provisions of GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries." This statement establishes accounting and financial reporting standards for the impairment of capital assets. This statement had no effect on net assets.

## Supplementary Information

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES  
IN FUND EQUITY - BUDGET (NON-GAAP) BASIS AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amount		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$3,231,101	\$3,297,335	\$3,449,479	\$152,144
Interest	50,000	50,000	151,774	101,774
Rentals	84,000	84,000	83,287	(713)
Proceeds from Loan	0	2,947,006	2,929,553	(17,453)
Proceeds from Sale of Capital Assets	205,000	205,000	0	(205,000)
Other	84,000	500	6,457	5,957
<b>Total Revenues</b>	<b>3,654,101</b>	<b>6,583,841</b>	<b>6,620,550</b>	<b>36,709</b>
Expenses:				
Current:				
Personal Services	91,979	91,979	91,395	584
Contractual Services	2,003,454	2,354,887	2,307,650	47,237
Materials and Supplies	10,754	10,754	4,517	6,237
Other	5,500	17,319	11,501	5,818
Capital Outlay	2,291,182	6,643,008	5,620,525	1,022,483
Debt Service:				
Principal Retirement	1,486,247	1,486,247	1,823,701	(337,454)
Interest and Fiscal Charges	166,868	166,868	173,795	(6,927)
<b>Total Expenses</b>	<b>6,055,984</b>	<b>10,771,062</b>	<b>10,033,084</b>	<b>737,978</b>
Excess of Revenues Under Expenses	(2,401,883)	(4,187,221)	(3,412,534)	774,687
Fund Equity at Beginning Year	4,011,572	4,011,572	4,011,572	0
Prior Year Encumbrances Appropriated	2,280,882	2,280,882	2,280,882	0
<b>Fund Equity at End of Year</b>	<b>\$3,890,571</b>	<b>\$2,105,233</b>	<b>\$2,879,920</b>	<b>\$774,687</b>

The following table summarizes the adjustments necessary to reconcile the change in net assets to the excess of revenues under expenses.

Change in Net Assets	\$913,638
Net Adjustments for Revenue Accruals	180,276
Net Adjustments for Expense Accruals	(353,401)
Decrease in Fair Value of Investments - 2004	(2,351)
Decrease in Fair Value of Investments - 2005	24,955
OWDA Proceeds	2,929,553
Capital Outlay	(4,315,740)
Depreciation	834,059
Principal Payments	(1,823,701)
Encumbrances	(1,799,822)
<b>Excess of Revenues Under Expenses</b>	<b>(\$3,412,534)</b>



STATISTICAL SECTION

THE FOLLOWING UNAUDITED STATISTICAL TABLES  
REFLECT SOCIAL AND ECONOMIC DATA, FINANCIAL TRENDS AND  
FISCAL CAPACITY OF TRI-CITIES

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
EXPENSES BY PROGRAM  
LAST TEN YEARS

YEAR	PERSONAL SERVICES	CONTRACTUAL SERVICES	MATERIALS AND SUPPLIES	DEPRECIATION	CAPITAL OUTLAY	DEBT SERVICE	OTHER	TOTAL
1996 (1) (2)	\$17,459	\$348,755	\$12,580	\$0	\$41,691	\$0	\$0	\$420,485
1997 (1)	68,585	1,493,080	26,275	0	300,558	1,267,913	8,701	3,165,112
1998 (3)	71,057	1,495,988	4,226	581,768	0	0	366,236	2,519,275
1999 (3)	70,631	1,429,394	427,273	604,032	0	0	0	2,531,330
2000 (3)	53,375	1,723,908	32,432	612,196	0	0	62,849	2,484,760
2001 (3)	78,417	1,574,093	21,013	627,408	0	0	796	2,301,727
2002 (3)	81,047	1,389,004	2,859	622,181	0	0	0	2,095,091
2003 (3)	94,919	1,396,268	3,867	789,672	0	0	0	2,284,726
2004 (3)	88,661	1,448,016	4,526	817,956	0	0	33,298	2,392,457
2005 (3)	93,860	1,449,202	4,098	834,059	0	0	11,501	2,392,720

SOURCE: Finance Office, Tri-Cities

(1) Tri-Cities reported on a cash basis in 1996 and 1997.

(2) Financial information for 1996, reflects partial year activity. Tri-Cities did not exist prior to June, 1996.

(3) Tri-Cities reported on a GAAP basis in 1998, 1999, 2000, 2001, 2002, 2003, 2004 and 2005.

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
REVENUES BY SOURCE  
LAST TEN YEARS

YEAR	CHARGES FOR SERVICES	INTERGOVERNMENTAL	RENTALS	INTEREST	GAIN ON SALE OF CAPITAL ASSETS	OTHER	TOTAL
1996 (1) (2)	\$1,157,997	\$0	\$34,435	\$56,856	\$0	\$463	\$1,249,751
1997 (1)	3,275,789	1,339	52,290	238,157	0	17,406	3,584,981
1998 (3)	3,419,369	0	0	293,400	0	56,439	3,769,208
1999 (3)	3,193,204	0	53,525	170,291	0	62,902	3,479,922
2000 (3)	3,311,880	0	63,433	370,187	1,572	2,837	3,749,909
2001 (3)	3,034,008	0	64,737	325,036	0	433	3,424,214
2002 (3)	3,219,328	0	31,348	157,044	0	4,415	3,412,135
2003 (3)	3,235,217	0	120,941	98,778	0	100	3,455,036
2004 (3)	3,297,670	0	43,135	94,337	0	5,488	3,440,630
2005 (3)	3,301,968	0	56,295	122,547	0	7,307	3,488,117

SOURCE: Finance Office, Tri-Cities

(1) Tri-Cities reported on a cash basis in 1996 and 1997.

(2) Financial information for 1996, reflects partial year activity. Tri-Cities did not exist prior to June, 1996.

(3) Tri-Cities reported on a GAAP basis in 1998, 1999, 2000, 2001, 2002, 2003, 2004 and 2005.

TRICITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
OWDA LOAN PAYABLE COVERAGE  
LAST NINE YEARS (1)

YEAR	GROSS REVENUES (2)	OPERATING EXPENSES (3)	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS			COVERAGE
				PRINCIPAL	INTEREST	TOTAL	
1997	\$3,346,824	\$1,897,199	\$1,449,625	\$551,397	\$716,516	\$1,267,913	1.14
1998	3,475,808	1,937,507	1,538,301	605,564	662,349	1,267,913	1.21
1999	3,309,631	1,927,298	1,382,333	665,069	602,844	1,267,913	1.09
2000	3,378,150	1,872,564	1,505,586	730,450	501,608	1,232,058	1.22
2001	3,099,178	1,674,319	1,424,859	830,406	510,650	1,341,056	1.06
2002	3,255,091	1,472,910	1,782,181	913,532	469,823	1,383,355	1.29
2003	3,356,258	1,495,054	1,861,204	1,282,898	399,147	1,682,045	1.11
2004	3,346,293	1,574,501	1,771,792	1,377,841	241,283	1,619,124	1.09
2005	3,365,570	1,558,661	1,806,909	1,823,701	258,740	2,082,441	0.87

Source: Tri-Cities financial records

(1) The debt expenses for 1996 were paid prior to Tri-Cities being organized.

(2) Gross revenues exclusive of interest income and gain on sale of fixed assets.

(3) Total operating expenses exclusive of depreciation.

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
DEMOGRAPHIC STATISTICS  
LAST TEN YEARS

<u>YEAR</u>	<u>POPULATION VANDALIA</u>	<u>POPULATION HUBER HEIGHTS</u>	<u>POPULATION TIPP CITY</u>
1996 (2)	13,790	38,939	6,411
1997 (2)	13,790	38,939	6,411
1998 (2)	13,790	38,939	6,411
1999 (2)	13,790	38,939	6,411
2000 (1)	14,603	38,686	9,221
2001 (1)	14,603	38,686	9,221
2002 (1)	14,603	38,686	9,221
2003 (1)	14,603	38,686	9,221
2004 (1)	14,603	38,686	9,221
2005 (1)	14,603	38,686	9,221

SOURCE: (1) 2000 Census  
(2) 1990 Census

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
SCHEDULE OF PARTICIPATING CITIES' EQUITY INTEREST  
LAST NINE YEARS (1)

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Vandalia	28.24%	28.64%	27.95%	27.09%	27.06%	27.58%	26.71%	27.55%	27.22%
Tipp City	19.66	18.89	17.72	17.12	17.84	18.50	20.45	19.49	19.33
Huber Heights	52.10	52.47	54.33	55.79	55.10	53.92	52.84	52.96	53.45
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

(1) 1996 information was not available.

TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY  
MONTGOMERY COUNTY, OHIO  
MISCELLANEOUS STATISTICS  
DECEMBER 31, 2005

Year of Incorporation	1996
Form of Government	Joint Venture
Number of Full Time Employees	1
Miles of Sewer Line	10
Number of Manholes	112
Number of Siphons	1
Number of Pump Stations	1
Number of Booster Stations	1

**TRI-CITIES NORTH REGIONAL WASTEWATER AUTHORITY**

**Independent Auditors' Report on  
Compliance and Internal Controls**

**December 31, 2005**





**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards*

To the Board of Trustees  
and General Manager  
Tri-Cities North Regional Wastewater Authority  
3777 Old Needmore Road  
Dayton, Ohio 45424

We have audited the financial statements of the Tri-Cities North Regional Wastewater Authority (the Authority), as of and for the year ended December 31, 2005, and have issued our report thereon dated May 5, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected with in 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Springfield, Ohio  
May 5, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**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 27, 2006**