

**SCIOTO COUNTY REGIONAL WATER DISTRICT No. 1**  
**SCIOTO COUNTY**  
**Regular Audit**  
**For the Year Ended December 31, 2006**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Scioto County Regional Water District No. 1  
326 Robert Lucas  
P.O. Box 310  
Lucasville, Ohio 45648

We have reviewed the *Independent Accountants' Report* of the Scioto County Regional Water District No. 1, Scioto County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2006 through December 31, 2006. 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 No. 1 is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

June 12, 2007

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**SCIOTO COUNTY REGIONAL WATER DISTRICT No. 1  
SCIOTO COUNTY**

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***Perry & Associates***  
Certified Public Accountants, A.C.

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**INDEPENDENT ACCOUNTANTS' REPORT**

May 23, 2007

Board of Trustees  
Scioto County Regional Water District No. 1  
PO Box 310- Robert Lucas Road  
Lucasville, Ohio 45648

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities of the Scioto County Regional Water District Number One (the District), Scioto County, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 respective financial position of the business-type activities of the District, as of December 31, 2006, and the respective changes in financial position and cash flows thereof, 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 23, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 of 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 9 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.

Scioto County Regional Water District Number One  
Independent Auditor's Report  
Page 2

As described in Note 2, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *"Deposits and Investments Risk Disclosure"*.

Respectfully Submitted,

**Perry and Associates**  
Certified Public Accountants, A.C.



# SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1

## ***Management's Discussion and Analysis For The Fiscal Year Ended December 31, 2006***

Our discussion and analysis of the SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1's (the District's) financial performance provides an overview of the District's financial activities for the year ended DECEMBER 31, 2006. Please read it in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report consists of two parts – Management's Discussion and Analysis (this section) and the Basic Financial Statements and Notes.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. GASB No. 34 established financial reporting standards for state and local governments, including cities, villages and special purpose governments such as the SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1. GASB No. 34 required the following changes to the District's financial statements:

1. The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The net assets section is displayed in three categories: 1) Invested in Capital Assets, net of related debt, 2) Restricted, and 3) Unrestricted.
2. The *Statement of Revenues, Expenses, and Changes in Net Assets* presents information showing how the District's net assets changed during the most recent fiscal year. This statement measures the success of the District's operations over the past year and can be used to determine the District's creditworthiness.
3. The *Statement of Cash Flows* now includes a summary of the cash flows from operations and investments during the reporting period. As in the past, the *Statement of Cash Flows* continues to reconcile the reasons why cash from operating activities differs from operating income.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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**Overview of the Basic Financial Statements**

The District operates as a utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. As an enterprise fund, the District's basic financial statements include four components:

- *Statement of Net Assets*
- *Statement of Revenues, Expenses and Changes in Net Assets*
- *Statement of Cash Flows*
- *Notes to the Financial Statements*

The *Statement of Net Assets* includes all of the District's assets and liabilities, with the difference between the two reported as net assets. Net assets are displayed in three categories:

- Invested in Capital Assets, Net of Related Debt
- Restricted
- Unrestricted

The *Statement of Net Assets* provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The *Statement of Revenue, Expenses and Changes in Net Assets* presents information which shows how the District's net assets changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The Statement of Revenues, Expenses and Changes in Net Assets measures the success of the District's operations over the past year and determines whether the District has recovered its costs through water sales, user fees and other charges.

The *Statement of Cash Flows* provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Non-capital Financing
- Capital Financing
- Investing

This statement differs from the *Statement of Revenues, Expenses and Changes in Net Assets* in that it accounts only for transactions that result in cash receipts and cash disbursements.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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The *Notes to the Financial Statements* provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

**Financial Highlights**

During the year ending DECEMBER 31, 2006, the District's operating revenues were over \$3.5 million. Operating expenses were \$2.9 million resulting in \$608,956 of income from operations. Revenues remained fairly stable when compared with last year. No water or tap rates were increased during 2006, and production and usage remained stable.

During 2006, we once again provided water to the Southern Ohio Correctional Facility (SOCF). We are customarily a back-up source for this facility and would not normally see any significant revenues from this user. However, during 2006 SOCF was responsible for approximately \$72,350 in water sales. Revenues from other bulk customers totaled \$758,758.

Several upgrades to the plant and distribution were completed in 2006. Including the construction of a new Well Field Tower and raising the #8 Well to avoid flooding issues. Distribution upgrades included the State Route 139 pipe job, Bonser Run upgrade, and the Swauger 4" pipe upgrade.

Upgrades in the distribution system also included the installation of approximately 650 radio read meters. These meters replaced old manual read meters and increased the accuracy and frequency of the meter reading process. The District is in the process of upgrading all meters in the distribution system to radio read meters and completed this upgrade in 2006.

Due to a pending highway construction project through our district, we have made an extensive effort to obtain property easements on locations where the project may affect our lines. These easements, along with a property purchase in the Lucasville bottoms area, have increased our Land assets. The property purchased during 2006 will be used for additional access to our well fields.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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**Financial Analysis of the District**

**Net Assets** - The District's net assets grew between fiscal years 2005 and 2006, increasing from \$6,547,611 to \$7,186,914. The \$639,303 increase in net assets is largely due to the upgrades in our plant and distribution system. Another factor that led to an increase in net assets was an increase in cash and investment reserves.

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Scioto County Regional Water District No. 1 applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1  
Statement of Net Assets**

<b>Net Assets</b>	<b>2006</b>	<b>2005</b>
Total Current Assets	\$ 2,482,721	\$ 2,109,986
Total Non-Current Assets	<u>6,977,194</u>	<u>6,896,438</u>
<b>Total Assets</b>	<b>\$ 9,459,915</b>	<b>\$ 9,006,424</b>
Total Current Liabilities	\$ 382,941	\$ 389,917
Total Noncurrent Liabilities	<u>1,890,060</u>	<u>2,068,896</u>
<b>Total Liabilities</b>	<b>2,273,001</b>	<b>\$ 2,458,813</b>
<b>Net Assets</b>		
Invested in capital asset net of related debt	4,530,178	4,270,345
Restricted for:		
Debt Service	384,288	372,343
Unrestricted	<u>2,272,448</u>	<u>1,904,923</u>
<b>Total Net Assets</b>	<b>\$ 7,186,914</b>	<b>\$ 6,547,611</b>

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Change in Net Assets** – The District's income from operations was \$608,956; operating expenses reflect an increase of \$201,644. A portion of this increase can be attributed to the rising cost of fuel and chemicals. Across-the-board increases were given in hourly and salary wage rates, and an IT position was added. Health insurance costs remained fairly stable with a 7% increase. A portion of the increase in operating expenses was due to higher depreciation expenses on newly capitalized plant and distribution upgrades.

In fiscal year 2006, 99% of the District's operating revenues came from water and tap sales with \$831,109 coming from bulk customer. These revenues remained fairly stable with no rate increases during 2006.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1  
Changes in Net Assets**

	<b>2006</b>	<b>2005</b>	<b>Percent Change</b>
Total Operating Revenues	\$ 3,586,094	\$ 3,621,081	-1%
Total Operating Expenses	2,977,138	2,775,474	7%
<b>Operating Income</b>	<b>\$ 608,956</b>	<b>\$ 845,607</b>	-28%
Gain/Loss on Sale of Assets	\$ -	\$ (18,497)	-100%
Interest Income	77,229	36,208	113%
Interest Expense	(95,782)	(103,212)	-7%
<b>Total Non-Operating Revenues/Expenses</b>	<b>(18,553)</b>	<b>(85,501)</b>	-78%
<b>Income Before Contributions</b>	<b>590,403</b>	<b>760,106</b>	-22%
<b>Total Capital Contributions</b>	<b>48,900</b>	-	100%
<b>Change in Net Assets</b>	<b>639,303</b>	<b>760,106</b>	-16%
<b>Net Assets January 1, 2006</b>	<b>6,547,611</b>	<b>5,787,505</b>	13%
<b>Net Assets December 31, 2006</b>	<b>\$ 7,186,914</b>	<b>\$ 6,547,611</b>	10%

The District's non-operating loss was \$18,553. The District's interest revenue increased by \$41,021 to \$77,229, due to higher rates of return and an increase in the amount of the District's reserves. This trend is expected to continue as yield on investments will be higher during 2007. The non-operating expenses decreased by \$7,430 (or -7%) as a result of lower interest payments on debt service. The debt acquired with Ohio Public Works Commission within the past two years has been interest free, and the lower principal balance on the bonds payable has decreased the interest costs associated with this debt.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Capital Assets**

As of DECEMBER 31, 2006, the District had invested approximately \$6.568 million. This amount represents a net increase (including additions and deductions) of \$71,903 over the prior year. The greatest increases to capital assets were additions and replacement of the District's distribution lines. Construction in progress decreased as some projects left from 2005 were completed. This decrease was primarily due to the completion of the Well Field projects, the Generator project, and the State Route 139 Pipe Job. More detailed information about the District's capital assets is presented in Note 8 to the basic financial statements.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1  
Capital Assets**

	2005	Addition	Deletions	2006
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 242,265	\$ 10,563	\$ -	\$ 252,828
Construction in Progress	350,796	580,608	530,736	400,668
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 593,061</b>	<b>\$ 591,171</b>	<b>\$ 530,736</b>	<b>\$ 653,496</b>
<b>Capital Assets Being Depreciated</b>				
Source of Supply	\$ 993,321	\$ -	\$ -	\$ 993,321
Water Treatment Plant	3,571,048	123,188	445	3,693,791
Distribution System	8,484,852	387,165	72,598	8,799,419
Transportation Equipment	471,807	131,502	60,442	542,867
Office Furniture & Equipment	189,335	10,412	-	199,747
Other Equipment	942,906	21,332	5,225	959,013
<b>Total Capital Assets Being Depreciated</b>	<b>\$ 14,653,269</b>	<b>\$ 673,599</b>	<b>\$ 138,710</b>	<b>\$ 15,188,158</b>
<b>Less Accumulated Depreciation</b>				
Source of Supply	\$ 679,808	\$ 30,733	\$ -	\$ 710,541
Water Treatment Plant	2,366,062	109,739	445	2,475,356
Distribution System	4,569,057	332,791	26,558	4,875,290
Transportation Equipment	309,641	27,083	31,437	305,287
Office Furniture & Equipment	138,452	18,864	-	157,316
Other Equipment	686,926	65,392	2,741	749,577
<b>Less Accumulated Depreciation</b>	<b>\$ 8,749,946</b>	<b>\$ 584,602</b>	<b>\$ 61,181</b>	<b>\$ 9,273,367</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>5,903,323</b>	<b>88,997</b>	<b>77,529</b>	<b>5,914,791</b>
<b>Total Capital Assets, net</b>	<b>\$ 6,496,384</b>	<b>\$ 680,168</b>	<b>\$ 608,265</b>	<b>\$ 6,568,287</b>

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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**Budget Analysis**

The District exceeded the budgeted revenue for 2006 by \$229,223. Total receipts collected were over \$3.586 million which exceeded the original budget of \$3,483,000 million by approximately 3%. In addition, the District's expenses remained slightly under budget by approximately \$119,738. This does not include depreciation expense of \$633,126. Excluding depreciation, the District expenses totaled \$2,344,012 compared to last year expenses of \$2,258,039.

**Debt Administration**

At DECEMBER 31, 2006, the District had \$1.735 million in bonds payable. Since no additional funds were borrowed from OPWC during 2006, the total OPWC debt is \$300,803. More detailed information about the District's long-term debt is presented in Note 4 to the Basic Financial Statements.

**Economic Factors**

The District's financial condition continues to improve as the District proceeds through another year of periodic flood conditions and increased cost of fuel and chemicals. Effective January 1, 2005, a rate increase was implemented to help cover these costs as well as the additional cost of upgrades and labor. The local economic conditions continue to challenge the district with customer delinquency and water theft. By implementing a consistent collection approach the District has been able to keep customer delinquency at a reasonable level.

**Contacting the District's Financial Management**

This financial report is designed to provide our customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact Kathie Martin, Treasurer at SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1 located at 326 Robert Lucas Road, Lucasville Ohio 45648, (740) 259-2301.

**Scioto County Regional Water District #1**  
**Statement of Net Assets**  
**For the Year Ending December 31, 2006**

<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$	1,847,167
Accounts Receivable		504,810
Deposits		5,250
Prepaid Expenses		28,460
Inventories		97,034
<b>Total Current Assets</b>		<b>2,482,721</b>
<b>Non-Current Assets</b>		
Deferred Charges:		
Deferred Charges		24,619
Restricted Assets:		
Investments		384,288
Capital Assets:		
Non-Depreciable Capital Assets		653,496
Depreciable Capital Assets, Net of Accum Depr		5,914,791
<b>Total Capital Assets</b>		<b>6,568,287</b>
<b>Total Non-Current Assets</b>		<b>6,977,194</b>
<b>Total Assets</b>	<b>\$</b>	<b>9,459,915</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$	100,157
Employee Withholding Payable		28,516
Unset Water Taps Payable		25,450
Compensated Absences Payable		29,462
Customer Deposits		1,425
Current Revenue Bonds Payable		175,000
Current OPWC Payable		21,303
Current Capital Lease Payabl		1,628
<b>Total Current Liabilities</b>		<b>382,941</b>
<b>Noncurrent Liabilities</b>		
Long Term Compensated Absences Payable		49,882
Capital Lease Payable		678
OPWC Loan Payable		279,500
Revenues Bonds Payabl		1,560,000
<b>Total Noncurrent Liabilities</b>		<b>1,890,060</b>
<b>Total Liabilities</b>		<b>2,273,001</b>
<b>Net Assets</b>		
Invested in capital asset net of related debt		4,530,178
Restricted for:		
Debt Service		384,288
Unrestricted		2,272,448
<b>Total Net Assets</b>		<b>7,186,914</b>
<b>Total Liabilities and Net Asset:</b>	<b>\$</b>	<b>9,459,915</b>

See notes to the financial statements



**Scioto County Regional Water District #1  
Scioto County  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the Year Ending December 31, 2006**

		2006
<b>Operating Revenues</b>		
Water Sales	\$	3,515,869
Water Tap Sales		59,486
Lab Test Fees		2,480
Miscellaneous		8,259
		8,259
<b>Total Operating Revenues</b>	\$	3,586,094
 <b>Operating Expenses</b>		
Water Taps and New Line Extensions	\$	5,479
Supply and Treatment		982,739
Distribution		866,319
Administration, Billing, and Office		481,795
Board Expenses		7,680
Depreciation Expenses		633,126
		633,126
<b>Total Operating Expenses</b>		2,977,138
<b>Operating Income</b>	\$	608,956
 <b>Non-Operating Revenues</b>		
Interest Income	\$	77,229
Interest Expense		(95,782)
		(95,782)
<b>Total Non-Operating Revenues/Expenses</b>		(18,553)
<b>Income Before Contributions</b>		590,403
 <b>Capital Contributions</b>		
Capital Contributions from Other Governments		736
Capital Contributions from OPWC Funds		48,164
		48,164
<b>Total Capital Contributions</b>		48,900
<b>Change in Net Assets</b>		639,303
<b>Net Assets January 1, 2006</b>	\$	6,547,611
		6,547,611
<b>Net Assets December 31, 2006</b>	\$	7,186,914
		7,186,914

See notes to the financial statements

**Scioto County Regional Water District #1**  
**Scioto County**  
**Statement of Cash Flows**  
**For the Year Ending December 31, 2006**

	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 3,556,053
Receipts from Others	8,259
Payments to Suppliers and Vendors	(822,337)
Payments to Employee:	<u>(1,516,183)</u>
Net cash provided by operating activitie	<u>\$ 1,225,792</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal on Bond	\$ (165,000)
Interest on Bond	(95,783)
OPWC principal	(21,303)
Xerox principal	(1,628)
Proceeds from Grant funds	48,164
Proceeds from Contributed Revenue	736
Payments for Capital Acquisition:	<u>(735,028)</u>
Net cash provided by capital financing activitie	<u>\$ (969,842)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earned	<u>\$ 77,229</u>
Net cash Provided (Used) by Investing Activitie	<u>\$ 77,229</u>
Net increase/decrease in cash and cash equivalents	333,179
Cash and cash equivalents, January 1, 2006	<u>1,898,276</u>
Cash and cash equivalents, December 31, 2006	<u>\$ 2,231,455</u>
 <b><u>Reconciliation of Operating Income to Net Cash Provided by</u></b>	
Operating Income	<u>\$ 608,956</u>
Adjustments to reconcile net income to net cash from operating activities:	
Depreciation Expense	663,126
<i>Change in Assets</i>	
(Increase) Decrease in Accounts Receivable	(21,782)
(Increase) Decrease in Prepaid Items	(9,063)
(Increase) Decrease in Materials and Supplies Inventory	(19,131)
(Increase) Decrease in Deferred Charges	3,093
<i>Change in Liabilities</i>	
Increase (Decrease) in Accounts Payable	14,403
Increase (Decrease) in Unset Water Taps Payable	(3,040)
Increase (Decrease) in Employee's Withholding Payable	(9,495)
Increase (Decrease) in Compensated Absences Payable	(250)
Increase (Decrease) in Customer Deposits Payable	<u>500</u>
Total Adjustments	<u>616,836</u>
Net Cash Provided by Operating Activitie	<u>\$ 1,225,792</u>

**See notes to the financial statements**

**SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE**  
**SCIOTO COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The Scioto County Regional Water District Number One 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 Water District operates under the direction of a seven member board of trustees. An appointed staff consisting of a superintendent, a plant superintendent, a distribution superintendent, and an office manager are responsible for fiscal control of the resources of the Water District. The Water District was established to provide an adequate and uncontaminated water supply for the consumption of the water district users, for industrial and business use, and for fire protection. The District serves all or parts of the following political subdivisions:

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

**B. BASIS OF ACCOUNTING**

The accounting methods and procedures adopted by the District conform to generally accepted accounting principles as applied to governmental enterprise funds. In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." This Statement provides for significant changes in financial reporting and is scheduled for phased implementation based on size of the government starting fiscal year ending 2002.

The District, as an enterprise fund, accounts for its operations in a manner similar to private business enterprises. The intent of the governing body is that the costs (including depreciation and amortization) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The focus of enterprise fund measurement is based upon determination of operating income, changes in net assets, financial position, and cash flows. Under the provisions of Governmental Accounting Standards Board (GASB) Pronouncement No. 20, the District has elected to follow all GASB pronouncements and Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, except for those that conflict with GASB pronouncements. The District's operating revenues are those that result from providing services and producing and delivering goods, and include all other revenues that do not result from transactions defined by GASB Statement No. 9 as capital and related financing, non-capital financing, or investing activities.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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. Unbilled water utility service receivables are recorded at year end. Expenses are recognized under the accrual basis of accounting when the liability is incurred.

**C. BUDGETARY PROCESS**

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

**Appropriations**

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

**Estimated Resources**

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

**Encumbrances**

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

A summary of 2006 budgetary activity appears in Note 3.

**D. CHANGE IN ACCOUNTING PRINCIPLES**

GASB Statement No. 34, *Basic Financial Statement – and Management’s Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management’s discussion and Analysis for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* were adopted by the district Effective January 1, 2004. GASB 34 creates new basic financial statements for reporting on the district’s financial activities. The financial statements now include statements of net assets; statements of revenues, expenses, and changes in net assets; and statements of cash flows all prepared on the accrual basis of accounting.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**E. CAPITAL ASSETS**

Capital assets acquired or constructed for the general use of the District in providing service are recorded at cost. Donated assets are recorded at their estimated fair market value at the time received. Depreciation of capital assets of the District is calculated utilizing the straight line method. All assets reported in the financial statements are at cost less accumulated depreciation.

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

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 a material inventory. Inventory is valued at cost and the District uses the first-in, first-out (FIFO) flow assumption in determining cost.

**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 Governmental Accounting Standards Statement No.16, Accounting for Compensated Absences, a liability is recorded for vested sick pay benefits which have been defined by District policy as available to those employees with ten years or more of service up to a maximum of four-hundred-eighty hours.

**H. PENSIONS**

The provision for pension cost 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 2006, investments were limited to ***U.S. Treasury Obligations and Repurchase Agreements.***

**SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. CASH & CASH EQUIVALENTS(Continued)**

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

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

**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:

**ENTERPRISE FUND**

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

**K. DEFERRED CHARGES**

Deferred charges are non-regularly recurring, non-capital costs of operations that benefit future periods. These costs include those incurred in connection with deferred hydrology, hydrology study, and long and short term sludge plan. Deferred charges expense for 2006 was \$3,093 leaving a balance of \$24,619.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**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 2006 were **\$28,460**.

**M. ESTIMATES**

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

**NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

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

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.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

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

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

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

**Cash on Hand** - At year end, the District had \$400 in un-deposited 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."



**SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

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

**Deposits** - At year end, the carrying amount of the District's deposits was **\$277,662** and the bank balance was **\$281,843**. The bank balance was covered 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
Repurchase Agreements	\$384,288	\$0	\$384,288	\$384,288
U.S. Treasury Obligations	\$1,569,105	\$0	\$1,569,105	\$1,569,105
Total Investments			\$1,953,393	\$1,953,393

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

A reconciliation between the classifications of cash and cash equivalents and investments on the basic 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	\$277,662	\$384,288
Cash on Hand	(400)	0
Investments:		
U.S. Treasury Obligations	\$1,569,105	
GASB Statement 3	\$1,847,167	\$384,288

**SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**NOTE 3 - BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2006 is as follows:

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Enterprise	\$3,483,000	\$3,712,223	\$ 229,223

2006 Budgeted vs. Actual Budgetary Basis Disbursements

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
Enterprise	\$4,976,171	\$3,072,920	\$1,903,251

**NOTE 4 - DEBT OBLIGATIONS**

Debt outstanding at December 31, 2006, consisted of the following:

Water System Revenue Refunding & Improvement Bonds	Total Due	Current due
Principal Outstanding	\$ 1,735,000	\$175,000
Interest Rate		4.25%
OPWC Loan		
Principal Outstanding	\$ 300,803	\$ 21,303
Interest Rate		0.00%
Xerox Lease	\$ 2,306	\$ 1,628

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.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**NOTE 4 - DEBT OBLIGATIONS (Continued)**

The annual requirements to amortize all bonded debt outstanding as of December 31, 2006, including interest payments of **\$401,606** are as follows:

Year Ending <u>December 31</u>	Revenue Refunding <u>Bonds</u>
2007	262,074
2008	258,330
2009	258,748
2010	258,315
2011-2014	<u>1,099,139</u>
Total	<u>\$2,136,606</u>

The annual requirements to amortize all loan debt outstanding, including interest, as of December 31, 2006, is as follows:

Year Ending <u>December 31</u>	OPWC <u>Loan</u>
2007	21,303
2008	21,303
2009	21,303
2010	21,303
2011-2015	127,818
2016-2025	<u>119,728</u>
Total	<u>\$ 311,455</u>

The Water district entered into an agreement to lease a copier during fiscal year 2003. The terms of the agreement provide options to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

The capital asset acquired by the lease has been capitalized in the statement of net assets for governmental activities in the amount of \$8,440 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net assets for governmental activities. Principal payments in fiscal year totaled \$1,628

**SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**NOTE 4 - DEBT OBLIGATIONS (Continued)**

The asset acquired through the capital lease is as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Asset: Xerox Copier	\$ 8,440	\$ 6,611	\$ 1,829

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2006:

<u>Year Ending December 31</u>	<u>Xerox Lease</u>
2007	2,027
2008	845
Total Lease Payments	\$2,872
Less: Amount Representing Interest	(566)
Present Value of Minimum Lease Payments	<u>\$2,306</u>

**NOTE 5 - 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 2006, 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	\$5,000,000
Public Officials	\$5,000,000
Automobile	\$5,000,000
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, Federated Insurance, 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.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**NOTE 6 - PENSION PLAN**

**A. Public Employees Retirement System**

**1. Pension Benefit Obligation**

Statement 27 of the Governmental Accounting Standards Board (GASB), *Accounting for Pensions by State and Local Governmental Employers*, requires public employers to provide detailed disclosure of pension information in financial statements and accompanying information.

**A.** Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan - a cost sharing, multiple-employer defined benefit pension plan.

2. The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

3. The Combined Plan - a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**B.** OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

**C.** Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

**D.** OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**E.** The Ohio Revised Code provides statutory authority for member and employer contributions. For 2006, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**NOTE 6 - PENSION PLAN (Continued)**

The 2006 member contribution rates were 9.0% for members in state, local, and public safety classifications. Members in the law enforcement classification, which consists generally of sheriffs, deputy sheriffs and township police, contributed at a rate of 10.1%.

The 2006 employer contribution rate for state employers was 13.54% of covered payroll. For local government employer units, the rate was 13.70% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2006 was 16.93%.

F. The Water District's contributions to the PERS of Ohio for the year ended December 31, 2005, and 2006 was \$228,765, and \$251,447 respectively which were equal to the total required contributions.

**Statement 12 of the Governmental Accounting Standards Board (GASB)**, *Disclosure of Information on Post-employment Benefits other than Pension Benefits by State and Local Governmental Employers*, establishes standards for disclosure of information on post-employment benefits other than pension benefits by all state and local government employers.

A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans:

The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan.

The Member-Directed Plan - a defined contribution plan.

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 Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 12.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2006, state employers contributed at a rate of 13.54% of covered payroll, local government employer units, contributed at 13.70% of covered payroll and public safety and law enforcement employer units contributed at 16.93%. The portion of employer contributions, for all employers, allocated to health care was 4.50%.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**NOTE 6 - PENSION PLAN (Continued)**

**B.** The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

**C.** Summary of Assumptions:

**Actuarial Review** - The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2005.

**Funding Method** - The individual entry age 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.

**Assets Valuation Method** - All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

**Investment Return** - The investment assumption rate for 2005 was 6.50%.

**Active Employee Total Payroll** - An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In addition, annual pay increases over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

**Health Care** - Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

**D.** OPEB is advance-funded on an actuarially determined basis. The following disclosures are required:

1. The Traditional Pension and Combined Plans had 369,214 active contributing participants as of December 31, 2006. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804.

2. The rates stated in Section A, above, are the actuarially determined contribution requirements for OPERS. As part of this disclosure, it will be necessary for the employer to disclose the employer contributions actually made to fund post-employment benefits. The portion of your employer contributions that were used to fund post-employment benefits can be approximated by multiplying actual employer contributions by 0.3323 for state employers, 0.3285 for local government employers, and 0.2658 for both law enforcement and public safety employers.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**NOTE 6 - PENSION PLAN (Continued)**

3. The amount of \$11.1 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2005.

4. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2005, reported the actuarial accrued liability and the unfunded actuarial accrued liability for OPEB at \$31.3 billion and \$20.2 billion, respectively.

**E. OPERS Retirement Board Implements its Health Care Preservation Plan**

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**NOTE 7 - COMPENSATED ABSENCES**

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

District employees who work on holidays and in an occasional overtime status are primarily paid on a current basis. However, in some instances the employees are permitted to accrue compensatory time to be taken as time off or to be paid at a later date. At December 31, 2006, the total vested liability for accumulated unpaid vacation, sick leave and compensatory time recorded was **\$79,344**.



SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)

**NOTE 8 - CAPITAL ASSETS**

A summary of the District's capital assets as of December 31, 2006, are as follows:

	2005	Addition	Deletions	2006
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 242,265	\$ 10,563	\$ -	\$ 252,828
Construction in Progress	350,796	580,608	530,736	400,668
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 593,061</b>	<b>\$ 591,171</b>	<b>\$ 530,736</b>	<b>\$ 653,496</b>
<b>Capital Assets Being Depreciated</b>				
Source of Supply	\$ 993,321	\$ -	\$ -	\$ 993,321
Water Treatment Plant	3,571,048	123,188	445	3,693,791
Distribution System	8,484,852	387,165	72,598	8,799,419
Transportation Equipment	471,807	131,502	60,442	542,867
Office Furniture & Equipment	189,335	10,412	-	199,747
Other Equipment	942,906	21,332	5,225	959,013
<b>Total Capital Assets Being Depreciated</b>	<b>\$ 14,653,269</b>	<b>\$ 673,599</b>	<b>\$ 138,710</b>	<b>\$ 15,188,158</b>
<b>Less Accumulated Depreciation</b>				
Source of Supply	\$ 679,808	\$ 30,733	\$ -	\$ 710,541
Water Treatment Plant	2,366,062	109,739	445	2,475,356
Distribution System	4,569,057	332,791	26,558	4,875,290
Transportation Equipment	309,641	27,083	31,437	305,287
Office Furniture & Equipment	138,452	18,864	-	157,316
Other Equipment	686,926	65,392	2,741	749,577
<b>Less Accumulated Depreciation</b>	<b>\$ 8,749,946</b>	<b>\$ 584,602</b>	<b>\$ 61,181</b>	<b>\$ 9,273,367</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>5,903,323</b>	<b>88,997</b>	<b>77,529</b>	<b>5,914,791</b>
<b>Total Capital Assets, net</b>	<b>\$ 6,496,384</b>	<b>\$ 680,168</b>	<b>\$ 608,265</b>	<b>\$ 6,568,287</b>

**SCIOTO COUNTY REGIONAL WATER DISTRICT NUMBER ONE  
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**NOTE 9 -CONTINGENCIES**

The District is party to legal proceedings. The District's management and legal council 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.

***Perry & Associates***  
**Certified Public Accountants, A.C.**

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428 Second Street  
Marietta, OH 45750  
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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

May 23, 2007

Board of Trustees  
Scioto County Regional Water District  
PO Box 310 - Robert Lucas Road  
Lucasville, Ohio 45648

We have audited the financial statements of the business-type activities of the Scioto County Regional Water District Number One (the District), as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 23, 2007, in which we indicated the District implemented Governmental Accounting Standards Board Statement No. 40. 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 District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify

Scioto County Regional Water District.  
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any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, and township trustees. It is not intended for anyone other than these specified parties.

Respectfully Submitted

Perry and Associates  
Certified Public Accountants, A.C.



**Mary Taylor, CPA**  
Auditor of State

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1**

**SCIOTO COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 26, 2007**