JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY, OHIO

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants

Mary Taylor, CPA
Auditor of State

Board Members
Jefferson Regional Water Authority
P.O. Box 369
Miamisburg, Ohio 45342

We have reviewed the *Report of Independent Accountants* of the Jefferson Regional Water Authority, Montgomery County, prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2007 through December 31, 2008. 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 Jefferson Regional Water Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 31, 2009

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JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY
For Years Ending December 31, 2008 and 2007

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REPORT OF INDEPENDENT ACCOUNTANTS

Jefferson Regional Water Authority
Montgomery County
P.O. Box 369
Miamisburg, Ohio 45342

To the Board of Trustees:

We have audited the accompanying basic financial statements of the business-type activities of the Jefferson Regional Water Authority, Montgomery County (the Authority) as of and for the years ended December 31, 2008 and 2007, 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of December 31, 2008 and 2007, and the respective changes in cash basis net assets and cash flows thereof for the years then ended in conformity with accounting basis Note 2 describes.

The management's discussion and analysis on pages 3 to 6 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2009 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards.* You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
June 23, 2009

JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

This discussion and analysis of the Authority's financial performance provides an overall review of the Authority's financial activities for the years ended December 31, 2008 and 2007, within the limitations of the Authority's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Authority's 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 in the MD&A.

Highlights

Key highlights for 2008 and 2007 are as follows:

Net assets, during 2008, of governmental activities decreased by $105,011 or 12 percent. This decrease was due to capital projects of water tower repair and painting, resurfacing of driveway, and a lower collection rate on aged receivables. Net assets, during 2007, increased by $198,996 or 25%. This increase is due to lower than expected personnel costs, a debt payment being posted in 2008 instead of 2007, and a higher collection rate on aged receivables.

During 2007 and 2008 long term debt decreased by $117,486 and $91,753, respectively.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Authority's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Authority as a whole.

The Authority is a single enterprise fund using proprietary fund accounting. The Basic Financial Statements are presented using the cash basis of accounting.

The notes to the financial statements are an integral part of the government-wide statements, provide expanded explanation, and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Authority has elected to present its financial statements on a cash basis of accounting. Under this basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets, their related revenues (such as accounts receivable), certain liabilities, and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the Authority's use of the cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Authority did financially during 2008, using the cash basis accounting. The statement of net assets presents the cash balances and investments of the business-type activities of the Authority at year end.

These statements report the Authority's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Authority's financial health. Over time, increases or decreases in the Authority's cash position is one indicator of whether the Authority's health is improving or deteriorating. When evaluating the Authority's financial condition, you should also consider other financial factors as well such as the condition of the Authority's capital assets and physical plant, the extent of the Authority's debt obligations, the reliance on non-local financial resources for operations and the possible need for major local revenue sources.

The Government as a Whole

Table 1 provides a summary of the Authority's net assets for 2008, 2007 and 2006 on a cash basis:

	2008	2007	2006	Dollar Change 2008 vs 2007	Dollar Change 2007 vs 2006
Assets					
Cash and Investments	$ 891,416	$ 996,427	$ 797,431	$(105,011)	$ 198,996
Total Assets	891,416	996,427	797,431	(105,011)	198,996
Net Assets					
Restricted for:					
Debt Service	189,028	184,440	175,478	4,588	8,962
Unrestricted	702,388	811,987	621,953	(109,599)	190,034
Total Net Assets	$ 891,416	$ 996,427	$ 797,431	$(105,011)	$ 198,996

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

As mentioned previously, net assets of governmental activities decreased by $105,011 or 12 percent during 2008. The primary reasons contributing to the increase in cash balances are as follows:

- Capital expenditures for water tower painting
- lower collection rate on aged receivables
- Resurfacing of driveway
- higher than expected repairs/maintenance costs

As mentioned previously, net assets of governmental activities increased by $168,997 or 25 percent during 2007. The primary reasons contributing to the increase in cash balances are as follows:

- Lower than expected personnel costs
- Higher collection rate on aged receivables
- End of year loan payment posted in 2008 instead of 2007
- Lower than expected repairs/maintenance costs

Table 2 summarizes the changes in net assets in 2008, 2007 and 2006 with the variances.

Table 2

	2008	2007	2006	Dollar Change 2008 vs 2007	Dollar Change 2007 vs 2006
Operating Revenue	$739,207	$754,174	$761,185	$ (14,967)	$ (7,011)
Operating Expenses	404,986	408,223	383,867	(3,237)	24,356
Maintenance Expenses	264,171	7,743	44,954	256,428	(37,211)
Total Expenses	669,157	415,966	428,821	253,191	(12,855)
Operating Income	70,050	338,208	332,364	(268,158)	5,844
Nonoperating Revenue	45,300	40,525	41,133	4,775	-608
Nonoperating Expenses	(220,361)	(179,737)	(260,746)	40,624	-81,009
Nonoperating Income(Loss)	(175,061)	(139,212)	(219,613)	(35,849)	80,401
Change in Net Assets	(105,011)	198,996	112,751	(304,007)	86,245
Beginning Net Assets	996,427	797,431	684,680	198,996	112,751
Ending Net Assets	$891,416	$996,427	$797,431	$ 105,011	$ 198,996

Debt

The Authority has total outstanding loans of $2,077,461. This balance represents a decrease during the audit period due to principal payments of $117,486 in 2008 and $91,753 in 2007. The Authority issued long term debt to finance the construction of the water lines, and infrastructure. The notes were authorized and issued under resolutions passed by the Board of Trustees. The Authority issued no new debt in 2008 or 2007.

Budgeting Highlights

The Authority is not required to present budgetary statements.

Capital Assets

Capital Assets: The Library does not report capital assets under the cash basis of accounting.

Current Issues

The challenge for the Authority is to provide quality water to the public and remain viable for the short and long term. The Authority has been able to accomplish short term objectives in spite of operating with a 4 member board. New elections for board members were held in April 2008 so that the Authority can operate with a full board.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, and patrons with a general overview of the Authority's finances and to reflect the Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Deborah Preston, Accountant, Jefferson Regional Water Authority, P.O. Box 369 Miamisburg, OH 45342

JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS		
Cash and Investments	$ 891,416	$ 996,427
Total Assets	891,416	996,427
NET ASSETS		
Restricted for:		
Debt Payments	189,028	184,440
Unrestricted	702,388	811,987
Total Net Assets	$ 891,416	$ 996,427

See accompanying notes to the basic financial statements

JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
OPERATING CASH RECEIPTS		
Water Sales	$ 702,172	$ 728,674
Tap Fees	37,035	25,500
Total Operating Cash Receipts	739,207	754,174
OPERATING CASH DISBURSEMENTS		
Administration	189,261	186,196
Contractual Services	52,217	58,946
Supplies/Equipment	34,454	8,465
Operations	122,095	151,677
Repairs/Maintenance	264,171	7,743
Miscellaneous	6,959	2,939
Total Operating Cash Disbursements	669,157	415,966
Operating Income	70,050	338,208
NONOPERATING CASH RECEIPTS		
Investment Income	13,965	37,792
Grants	1,957	1,317
Miscellaneous	29,378	1,416
Total Nonoperating Cash Receipts	45,300	40,525
NONOPERATING CASH RECEIPTS		
Debt Service	218,404	179,737
In Kind Payments	1,957	-
Total Nonoperating Cash Disbursements	220,361	179,737
Nonoperating Income	(175,061)	(139,212)
Change in Net Assets	(105,011)	198,996
Beginning Net Assets	996,427	797,431
Ending Net Assets	$ 891,416	$ 996,427

See accompanying notes to the basic financial statements

JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
INCREASE (DECREASE) IN CASH AND INVESTMENTS		
Cash flows from operating activities:		
Cash from water sales & tap fees	$ 739,207	$ 754,174
Cash payments for operating expenses	(404,986)	(408,223)
Cash payments for maintenance	(264,171)	(7,743)
Net cash provided by operating activities	70,050	338,208
Cash flows from noncapital financing activities		
Cash provided from inverstment income	13,965	37,792
Cash provided by grants	1,957	1,317
Cash used for in kind payments	(1,957)	-
Cash provided by miscellaneous sources	29,378	1,416
Net cash provided from noncapital financing activities	43,343	40,525
Cash flows from capital and related financing activities		
Cash used for debt service	(218,404)	(179,737)
Net cash used in capital and related financing activities	(218,404)	(179,737)
NET INCREASE IN CASH AND INVESTMENTS	(105,011)	198,996
CASH AND INVESTMENTS, BEGINNING OF YEAR	996,427	797,431
CASH AND INVESTMENTS, END OF YEAR	$ 891,416	$ 996,427
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 70,050	$ 338,208
Adjustments to Reconcile Operating Income to Cash provided by Operating Activites	-	-
Net cash provided by operating activities	$ 70,050	$ 338,208

See accompanying notes to the basic financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

NOTE 1 – DESCRIPTION OF THE AUTHORITY AND REPORTING ENTITY

The Jefferson Regional Water Authority, Montgomery County Ohio (the Authority), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority is directed by a nine member Board of Trustees elected, for three year term, by the members of the Authority. The board has complete authority over all aspects of the operation. The Authority provides water services to the residents of the Authority.

The Authority's management believes this financial statement presents all activities for which the Authority is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, the financial statements of the Jefferson Regional Water Authority have been prepared on a modified cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Authority does not apply FASB statements issued after November 30, 1989, to its enterprise fund. Following are the more significant of the Authority's accounting policies.

A. Basis of Presentation

The Authority's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, which provide a more detailed level of financial information.

<u>Government-Wide Financial Statements</u>

The statement of net assets and the statement of activities display information about the Authority at year end. These statements include the financial activities of the government.

The statement of net assets presents the cash balance of the governmental activities of the Authority at year end. The statement of activities compares disbursements with receipts.

Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Authority is responsible.

B. Basis of Accounting

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

The Authority's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Authority's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

C. Budgetary Process

All funds are legally required to be appropriated. The Appropriation Resolution is the Trustee's authorization to spend resources and sets limits on expenditures plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund level. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Trustees.

For control purposes, the Authority estimates revenues to be received for the year. These estimated revenues, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated revenues may be revised during the year if projected increases or decreases in receipts are identified by the Treasurer. The Authority is not required to present budgetary statements.

D. Cash and Cash Equivalents

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as unrealized gain or loss.

E. Restricted Assets

Certain resources are set aside for the repayment of loans and as such are classified as restricted assets on the asset sheet because their use is limited to repayment of debt. The restricted assets are used for assuring payment of future principal and interest.

F. Inventory and Prepaid Items

The Authority reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Authority's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Plans

The Authority recognized the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contribution include portions for pension benefits and for postretirement health care benefits. Beyond annual contributions, pensions are the liability of the State or Federal Programs and are not liabilities of Jefferson Regional Water Authority.

J. Long Term Obligations

The Authority's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid. The Authority had not such transactions in 2008 or 2007.

K. Net Assets

Net Assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Authority has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by 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 or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or Ohio local governments;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. 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;

7. The State Treasurer's investment pool (STAR Ohio); and

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 Authority, 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.

At December 31, 2008 and 2007, the carrying amount of the Authority's deposits were $233,616 and $231,839, respectively, as compared to the bank balances of $237,831 and $241,651, respectively. Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation, 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 established by the financial institution to secure the repayment of all public monies deposited with the institution.

As of December 31, 2008 and 2007, the Authority had the following instruments and maturities:

	Fair Value			
Investment Type	**12/31/08**	**12/31/07**	**Maturity (1)**	**Rating(2)**
Repurchase Agreement	$657,800	$764,588	Daily	Aaa
Total Investments	$657,800	$764,588		

(1) Weighted Average # of Days
(2) Moody's

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement.

Credit Risk – The Authority's investment policy addresses credit risk by limiting investments to the safest types of securities, pre-qualifying financial institutions, brokers, intermediaries and financial advisors and by diversifying the investment portfolio so that potential losses on the individual securities do not exceed income generated from the remaining portfolio.

NOTE 4 – RISK MANAGEMENT

The Authority 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. During 2008 and 2007, the Authority contracted for various types of insurance coverage as follows:

	Coverage
Comprehensive Property	$2,938,489
General Liability	$1,000,000
Commercial Umbrella	$2,000,000
Vehicle	$1,000,000
Employee Dishonesty	$135,000
Inland Marine	$58,739

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Authority 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. The System administers and pays all claims.

NOTE 5 – DEBT

Debt outstanding at December 31, 2008 was as follows:

		Balance 12-31-2008	Principal Reductions 2008	2007	Principle due in one year
FMHA Loan - 1982	5%	$ 1,310,000	$ 65,000	$ 60,000	$ 65,000
OWDA Loan - 4026	2%	214,099	6,225	3,066	6,225
OWDA Loan – 1637	7.51%	349,743	33,920	16,346	33,920
OPWC Loan – CD07F	0%	203,618	12,341	12,341	12,341
Totals		$ 2,077,460	$ 117,486	$ 91,753	$117,486

The Authority issued long term debt to finance the construction of the water lines, and infrastructure. The notes were authorized and issued under resolutions passed by the Board of Trustees. The Authority, under terms of the loan agreements, state that it will charge such rates for the services of the system as shall result in pledged revenues at least adequate to provide to the payments required.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending 12/31:	FMHA	OWDA 1637	OPWC	OWDA 4226
2009	$ 130,500	$ 61,039	$ 12,341	$ 10,600
2010	132,250	61,231	12,341	10,600
2011	133,750	61,439	12,341	10,600
2012	134,250	61,642	12,341	10,600
2013	134,750	61,845	12,341	10,600
2014-2018	660,000	124,670	61,702	53,003
2019-2023	528,500	-	61,702	53,003
2024-2028	-	-	18,509	53,003
2029-2033	-	-	-	58,304
Totals	$1,854,000	$431,866	$203,618	$270,313

NOTE 6 – DEFINED BENEFIT PENSION PLAN

The Authority 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 percent 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. 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.

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 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601.

For the years ended December 31, 2008 and 2007, the members of all three plans were required to contribute 10.0 percent and 9.85 percent, respectively, of their annual covered salaries. The Authority's contribution rate for pension benefits for 2008 and 2007 were 14.0 percent and 13.85 percent, respectively. The Authority has paid all contributions required through December 31, 2008.

NOTE 7 – POSTEMPLOYMENT BENEFITS

OPERS also provides post-retirement health care coverage to age and service retirees with 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 Post-employment Benefit (OPEB) as described in GASB Statement No. 12. As required by state statute, a portion of each employer's contribution to OPERS (see note 9) is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory Council for employer contributions. The contribution rates of 14% and 13.85% for the years ended December 31, 2008 and 2007, respectively, included a portion (7% for 2008 and 5% for January - June 2007, 6% for July – December 2007) that was used to fund healthcare. The Authority has paid all contributions required through December 31, 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS 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, January 1, 2007 and January 1, 2008, which will allow additional funds to be allocated to the health care plan.

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

Summary of assumptions

Actuarial Review – The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2007.

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 annually to reflect 25% of the unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return – The investment assumption rate for 2007 was 6.5%.

Active Employee Total Payroll – An annual increase of 4.0% 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 4.0% base increase, were assumed to range from 0.5% to 6.3%.

Health Care – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 4% for the next 7 years. In subsequent years (8 and beyond), health care costs were assumed to increase at 4.0% (the projected wage inflation rate).

OPEBs are advanced funded on an actuarially determined basis. The number of active contributing participants in the Traditional Pension Plan and Combined Plans at December 31, 2007 was 364,076. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2007 was $12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability at December 31, 2007, based on the actuarial cost method used, were $29.8 billion and $17.0 billion, respectively.

NOTE 8 – CONTINGENT LIABILITIES

The Authority may be a party in several lawsuits. Although the outcome of these suits is not presently determinable, counsel believes that the resolution of these matters will not materially adversely affect the Authority's financial condition.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Jefferson Regional Water Authority
Montgomery County
P.O. Box 369
Miamisburg, Ohio 45342

To the Board of Trustees:

We have audited the basic financial statements of the business-type activities of the Jefferson Regional Water Authority (the Authority), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

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 deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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, grants agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards,* which is described in the accompanying Schedule of Findings as item number 2008-1.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We noted certain matters that we have reported to management of the Authority in a separate letter dated June 23, 2009.

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

Charles E. Harris & Associates, Inc.
June 23, 2009

JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-1
Noncompliance Citation

Ohio Revised Code Section 5705.41 (D), requires, in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement state above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

> <u>"Then and Now" Certificate</u> – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Authority can authorize the drawing of a warrant for the payment of the amount due. The Authority has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.
>
> Amounts of less that $3,000 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the Authority.
>
> <u>Blanket Certificate</u> – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE GAGAS – (Continued)

FINDING NUMBER 2008-1
Noncompliance Citation – (Continued)

> Super Blanket Certificate – The Authority may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predicable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2008 and 2007, twenty-one of sixty transactions (35%) selected for testing were not certified prior to incurring the obligation. It was also found that none of the three exceptions noted above were utilized for the items to be found in noncompliance.

Management Response:

The Authority hired a new Accountant in 2008 and she began properly certifying expenditures or using then and now certificates as needed. She will continue to certify the availability of funds for expenditures going forward.

JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2006-001	Water Authority did not complete bank reconciliations.	Yes	Finding no longer valid
2006-002	Contrary to Rev. Code Section 5705.41(B), the Authority had expenditures in excess of budgetary.	Yes	Finding no longer valid
2006-003	The Authority did not include budgetary amounts in the accounting system.	Yes	Finding no longer valid
2006-004	Contrary to Rev. Code Section 5705.41(D) the Authority did certify the availability of funds before disbursing.	No	Included in the Schedule of Findings as item number 2008-1
2006-005	Contrary to Rev. Code Section 117.38, the Authority did not file required financial reports with the Ohio Auditor of State.	Yes	Finding no longer valid

Mary Taylor, CPA
Auditor of State

JEFFERSON REGIONAL WATER 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
AUGUST 13, 2009

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