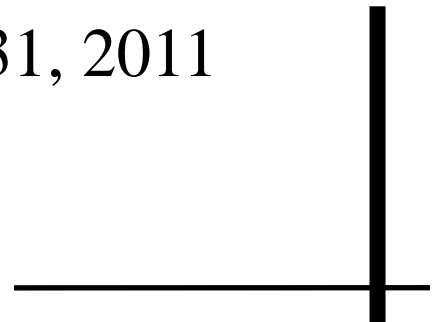


TRI-CITIES  
NORTH REGIONAL  
WASTEWATER AUTHORITY  
Montgomery County, Ohio

COMPREHENSIVE  
ANNUAL FINANCIAL  
REPORT

For Year Ending December 31, 2011







# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Tri-Cities North Regional Wastewater Authority, Montgomery County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 4, 2012

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# *Tri-Cities North Regional Wastewater Authority*

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Montgomery County, Ohio

Comprehensive Annual Financial Report

For the Year Ended December 31, 2011

Prepared By: David J. Heckler General Manager
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***Tri-Cities North Regional Wastewater Authority***  
***Montgomery County, Ohio***  
**Comprehensive Annual Financial Report**  
**Year ended December 31, 2011**

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## INTRODUCTORY SECTION





April 25, 2012

Citizens, Taxpayers and Consumers of the Cities of Huber Heights, Vandalia and Tipp City  
Board of Trustees of Tri-Cities North Regional Wastewater Authority  
Mayors and Members of Council of the Cities of Huber Heights, Vandalia and Tipp City  
Tri-Cities North Regional Wastewater Authority Finance Committee Members  
Tri-Cities North Regional Wastewater Authority Technical Committee Members  
Tri-Cities North Regional Wastewater Authority Planning and Development Committee  
Members

I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the Tri-Cities North Regional Wastewater Authority (Tri-Cities). This report for the year ended December 31, 2011, contains the financial statements and other financial and statistical data that provide complete and full disclosure of all material financial aspects of Tri-Cities.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

Plattenburg & Associates, Inc., Certified Public Accountants, have issued an unqualified (“clean”) opinion on the Tri-Cities North Regional Wastewater Authority financial statements for the year ended December 31, 2011. The independent’s auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

### **Profile of the Government**

Located on a hillside, near the intersection of State Route 202 and Needmore Road, is the wastewater treatment facility that serves the cities of Huber Heights, Vandalia and Tipp City. After two years of serious negotiations, these cities assumed full ownership of this facility from the Miami Conservancy District in an unprecedented acquisition that closed on June 11, 1996.

Under the provisions of Ohio Revised Code Section 715.02, the cities of Huber Heights, Vandalia and Tipp City signed a joint venture agreement to create Tri-Cities North Regional Wastewater Authority. Through Tri-Cities, the cities have full responsibility for the North Regional Wastewater Treatment Plant and associated facilities. Tri-Cities mission is to provide cost effective, environmentally responsible, and reliable wastewater treatment services for the cities of Huber Heights, Vandalia, and Tipp City. This mission is accomplished through the efforts of the professional staff that manages, operates and maintains the facilities, which include 10 miles of interceptor sewer, an innovative and advanced wastewater treatment plant, and a dedicated farm for bio-solids reuse. Tri-Cities facilities are often toured by schools, civic groups, and others interested in learning how technology and science, combined with the dedication of a talented professional staff, can preserve and enhance our irreplaceable water resource.

Prior to June of 1996, the Miami Conservancy District provided the Cities of Huber Heights, Vandalia, and Tipp City with wastewater treatment services. The Miami Conservancy District expressed the intent to discontinue these services to the cities and gave them the option to acquire and operate the facility themselves. In order to do so, the three cities established the Tri-Cities North Regional Wastewater Authority. In June of 1996, the Miami Conservancy District deeded the wastewater facility and all of the assets and liabilities associated with the facility to the joint venture at no cost to the joint venture.

Tri-Cities is a joint venture among the cities of Huber Heights, Vandalia, and Tipp City. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Tri-Cities is a stand-alone government that is governed by a management board consisting of the city managers of the three cities. The board has complete authority over all aspects of the operation. Tri-Cities has no component units.

An annual operating budget is adopted for management purposes. Budget information is reported to the board of participants, and modifications may only be made by resolution of the board.

### **Items of Interest**

Tri-Cities wastewater-treatment plant utilizes physical, biological and chemical processes to treat wastewater collected from the cities of Huber Heights, Vandalia and Tipp City. The wastewater treatment process is very similar to that which occurs naturally in rivers and lakes, however; wastewater treatment plants are designed to speed up and enhance the natural cleaning process. The physical processes, the “primary” steps in treating wastewater, utilize screens, settling tanks and skimming devices to remove about half of the pollutants - mostly sand, grit and other heavy or large solids typically found in wastewater. The “secondary” step is a biological one where micro-organisms feed on the waste remaining in the water until about 85% of the pollutants are removed. A separate, advanced secondary step biologically removes ammonia. With more than 95% of the pollutants removed, the wastewater is chemically disinfected before it is released into the Great Miami River.

The organic solids removed in these treatment processes are further treated and stabilized to meet stringent regulatory standards for reuse as agricultural fertilizer. A dedicated pipeline was constructed as part of the north regional wastewater system to convey the stabilized sludge seven miles north to Tri-Cities dedicated farm where it is temporarily stored in strategically placed tanks. Pumping sludge to the farm has allowed Tri-Cities to avoid the expense of owning, operating and maintaining a fleet of semi trucks and trailers. While this not only reduces wear and tear on city and county roads, it also minimizes workers' safety issues. Historically, at certain times of the year, sludge was withdrawn from the storage tanks into specially equipped field tankers pulled by tractors. Tri-Cities began use of a new dragline system in 2003 that greatly improved the efficiency of sludge injection because it replaces the use of tankers on most of Tri-Cities fields. This new umbilical type of operation involves pumping sludge directly to the tractor that pulls the hose and injection tool across the fields. Ultimately, sludge is incorporated directly into the soil approximately four inches below the surface where nutrients from the sludge enrich the soil and provide 100% of the nitrogen needed for the grain crops grown on this farm. Reusing the sludge in this way has eliminated the use of commercial fertilizers.

In addition to returning clean water to the river and nutrients to the soil, the north regional wastewater treatment plant is equipped with internal combustion engines fueled with methane gas, a byproduct of the sludge stabilization process. These engines turn generators that produce much of the electricity needed to pump the north regional interceptor sewer influent to the head works of the treatment plant.

Tri-Cities is equipped with a customized sewer maintenance and inspection vehicle used to inspect, evaluate and monitor the sanitary sewers that convey sewage to the treatment plant. A digital video camera, purchased in 2006, is lowered into the sewers and records their condition on a computer system, which is useful for evaluating and prioritizing major sewer system repairs and upgrades. To aid in overall inspection and sewer line assessment, Tri-Cities purchased a combination jet/vac unit in 2005. This piece of equipment is truck mounted and is used to clean the lines using high pressure water jets in combination with a vacuum system to remove debris from the lines when necessary. A grout packer is often used to seal minor leaks. The inspection vehicle is also equipped with portable meters used to measure how much wastewater flows through segments of the sewer system. Flow data is useful in identifying where leaks and unauthorized connections may be contributing to rainfall induced high flows.

An on-site laboratory is used to conduct hundreds of tests each year. These tests are performed by operations staff and certified laboratory professionals. Test results are used to evaluate treatment process performance and to monitor compliance with permit limits. Samples are collected from various locations in the sewer system and the treatment plant as well as from groundwater monitoring wells at the farm. Samples from the Great Miami River are also collected upstream and downstream of the north regional wastewater treatment plant discharge point to monitor potential impacts on the river.

From the collection of raw wastewater to the reuse of stabilized sludge, the north regional facilities are proudly operated and maintained for Tri-Cities by a private operations contractor. An agreement for contract operation and maintenance has been in place since the facilities first came online in 1985, and employee training and certification is ongoing by the contractor to ensure quality performance and compliance with Tri-Cities wastewater discharge permit.

Efficiency, compliance and safety were key ingredients in the design of the north regional wastewater treatment facilities, and continue to be the three goals in day-to-day operations and maintenance. With the aid of programmable controllers and computerized monitoring systems, the north regional facilities are staffed just one shift per day, five days a week.

### **Local Economy**

Each of Tri-Cities member cities is experiencing a slowed rate of growth in housing and new subdivisions currently being built. In 2009, Tri-Cities completed a sewer system comprehensive master plan which includes twenty year growth projections and a multi-year capital improvement program. Funding for design of the first project in the plan was included in Tri-Cities 2010 budget. Design began in 2010 and continued through 2011 and the intent is to begin construction in 2012.

Manufacturing in Tri-Cities service area is facing the same type of downturn that is occurring throughout Ohio and much of the nation. This affects Tri-Cities because industries often are monitored through Tri-Cities Industrial Pretreatment Program designed to work with industries to make certain that pollutants are treated on-site and not discharged into the sewer system. While this downturn reduces some of the Industrial Pretreatment activity, Tri-Cities overall plan recognizes that new business activities may ultimately occupy these facilities and plans accordingly.

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

Tri-Cities had a slight decrease in net assets during 2011. Continued sound fiscal management coupled with the assistance of members of Tri-Cities Finance Committee provided financial stability and growth for the organization with net assets slightly decreasing only by \$79,015.

### **Relevant Financial Policies**

It is the policy of Tri-Cities to invest public funds in a manner which will provide the highest investment return with maximum security, while meeting daily cash flow demands. Investment objectives in order of priority are safety of principal, liquidity, diversification and public confidence. Compliance with this policy provides Tri-Cities reasonable return while protecting principal during varying economic conditions and allows Tri-Cities to meet its cash flow obligations.

Tri-Cities adopts an annual budget, which has proven beneficial through a process which involves the general manager preparing a budget draft which is reviewed and modified as necessary by each of Tri-Cities committees prior to a recommended draft being presented for Board consideration. Tri-Cities management follows a continuous improvement approach to meet its mission and contain costs. It is worth noting that Tri-Cities annual O&M revenue requirement is the same today that it was in 1996 and the entity has not raised rates since its inception.

## Major Initiatives

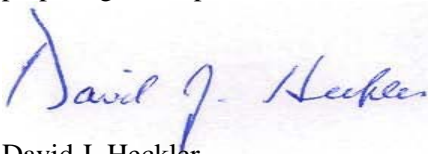
In 2009, work was completed on the twenty year comprehensive master plan for Tri-Cities service area that was funded in 2006. The final report was presented in August of 2009 and includes a priority listing of projects along with financial forecasting requirements for Tri-Cities and each of the member city's collection systems necessary to provide improvements to meet wet weather flows and projected future flows. In 2011, Tri-Cities hired a consulting firm for the engineering and design of the first project with the intent of bidding the project for construction in 2012.

In December 2009, Tri-Cities received the approval of \$1.9 million in American Recovery and Reinvestment Act (ARRA) funds for its Main Pump Building Improvements Project located at the wastewater treatment plant. This funding was in the form of a Principal Forgiveness Loan and the project began in January 2010. In February 2010, Tri-Cities' ARRA funding was increased to \$3.54 million which provided 100% of the project cost. The project was completed in 2011 and included replacement of 25 year old raw sewage pumps, motors and controls with high efficiency units and also replaced two of the 25 year old internal combustion engines with cleaner burning high efficiency units coupled to electric generators. New switch gear and new utility interconnection equipment allows Tri-Cities to export energy to the grid at times when more energy is generated onsite than needed and to import energy during periods of highest demand.

## Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Tri-Cities North Regional Wastewater Authority, Ohio, for its Comprehensive Annual Financial Report for the year ended December 31, 2010. This was the eleventh consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. I believe this report conforms to the Certificate of Achievement Program requirements, and I am submitting it to GFOA to determine its eligibility for another certificate.

I want to especially thank Brenda K. Gossett who contributed much time and effort in helping me prepare this report and I also thank Lorrie Miller of Lennon & Company for guidance and help in preparing this report.



David J. Heckler  
General Manager

*Tri-Cities North Regional Wastewater Authority*  
*Montgomery County, Ohio*  
List of Principal Officials  
For the Year Ended December 31, 2011

Board of Trustees

Rob Anderson	City Manager, City of Vandalia
Jon Crusey	City Manager, City of Tipp City
Gary Adams	City Manager, City of Huber Heights

Appointed Official

David J. Heckler	General Manager and Assistant Secretary
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Finance Committee

Kathleen Cornett	Acting Finance Director, City of Vandalia
John Green	Finance Director, City of Tipp City
Donnie Jones	Finance Director, City of Huber Heights

Technical Committee

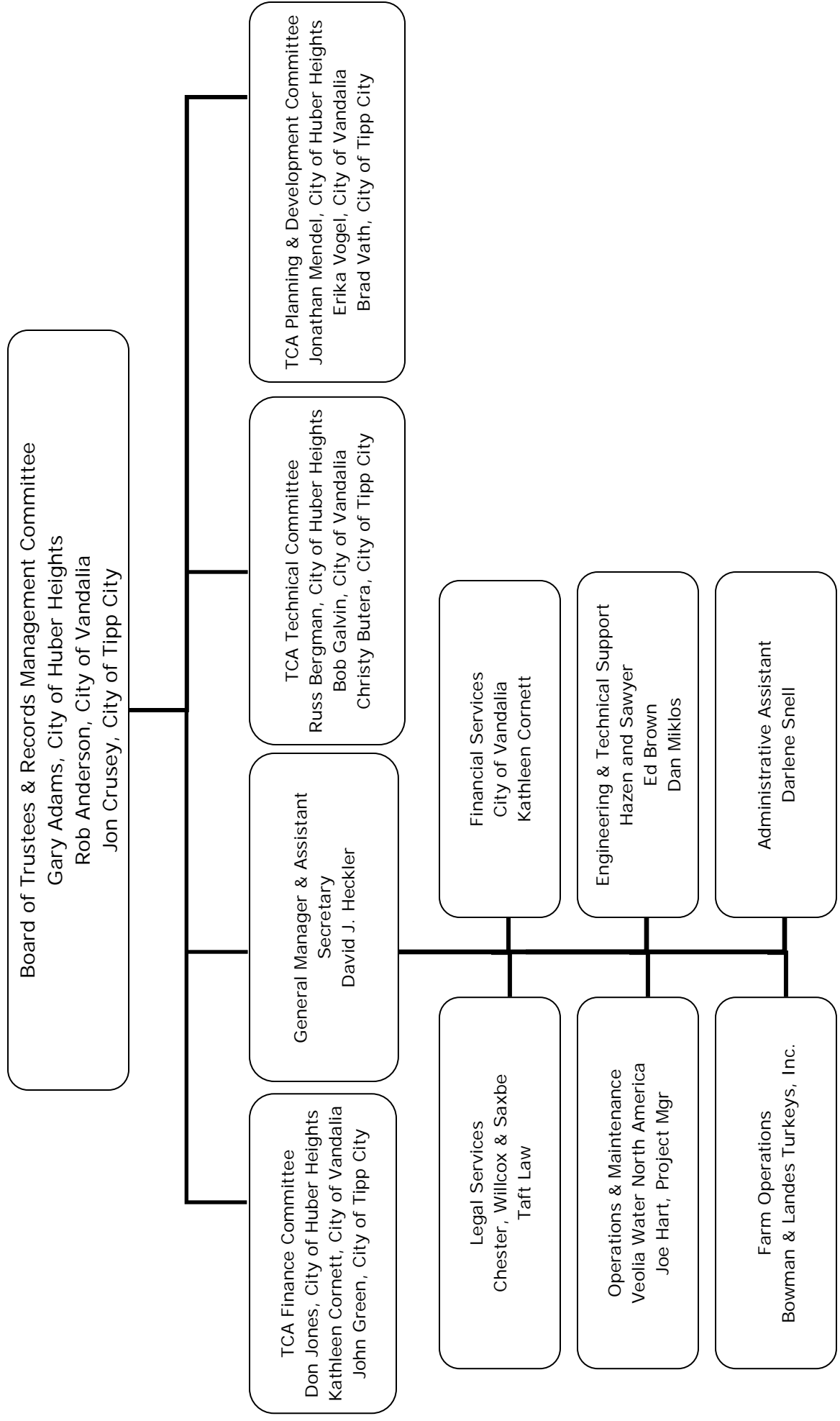
Bob Galvin	City Engineer, City of Vandalia
Russ Bergman	City Engineer, City of Huber Heights
Christy Butera	Director of Utilities, City of Tipp City

Planning and Development Committee

Erika Vogel	City Planner, City of Vandalia
Jonathan Mendel	Planning & Development Director, City of Huber Heights
Brad Vath	Assistant City Manager, City of Tipp City



# TCA Organization 2011



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Tri-Cities North Regional  
Wastewater Authority, Ohio

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2010

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



*Linda C. Danison*

President

*Jeffrey R. Emer*

Executive Director

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## FINANCIAL SECTION



**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the Tri-Cities North Regional Wastewater Authority, (the Authority) as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2011, and the respective changes in financial position and cash flows 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 April 25, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statement. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements as a whole. The Schedule of Revenues, Expenses and Changes in Fund Equity, Budget Basis and Actual, the introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedule of Revenues, Expenses and Changes in Fund Equity, Budget Basis and Actual is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
April 25, 2012

***Tri-Cities North Regional Wastewater Authority***

Management's Discussion and Analysis

For the Year Ended December 31, 2011

Unaudited

The discussion and analysis of Tri-Cities North Regional Wastewater Authority's (Tri-Cities) financial performance provides an overall review of the financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at Tri-Cities financial performance as a whole and readers should also review the transmittal letter, notes to the basic financial statements, and the financial statements to enhance their understanding of Tri-Cities financial performance.

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- Total net assets decreased \$79,015 which represents a 0.25% decrease from 2010.
- Total assets decreased \$593,887 which represents a 1.54% decrease from 2010.
- Total liabilities decreased by \$514,872. Current liabilities increased \$6,787. Non-current liabilities decreased by \$521,659. These variances are resulting primarily from principal payments on Tri-Cities OWDA loans.
- Charges for Services remained constant due to no change in the current charge to member cities of not more than \$1.25 per thousand gallons of usage.

**Using this Financial Report**

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

**Statement of Net Assets**

The Statement of Net Assets answers the question, "How did we do financially during 2011?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports Tri-Cities net assets, however, in evaluating the overall position of Tri-Cities, non-financial information such as changes in the condition of Tri-Cities capital assets will also need to be evaluated.

**Tri-Cities North Regional Wastewater Authority**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited

Table 1 provides a summary of Tri-Cities net assets for 2011 compared to 2010:

*Table 1*  
*Net Assets*

	<u>2011</u>	<u>2010</u>
<b><u>Assets:</u></b>		
<i>Current and other assets</i>	\$ 7,084,258	\$ 6,959,076
<i>Capital assets, net of depreciation</i>	<u>30,812,779</u>	<u>31,531,848</u>
<i>Total assets</i>	<u>37,897,037</u>	<u>38,490,924</u>
<b><u>Liabilities:</u></b>		
<i>Current and other liabilities</i>	1,032,867	1,026,080
<i>Long-term liabilities:</i>		
<i>Due within one year</i>	-	25,453
<i>Due in more than one year</i>	<u>5,749,555</u>	<u>6,245,761</u>
<i>Total liabilities</i>	<u>6,782,422</u>	<u>7,297,294</u>
<b><u>Net Assets:</u></b>		
<i>Invested in capital assets, net of related debt</i>	24,350,330	24,492,889
<i>Unrestricted</i>	<u>6,764,285</u>	<u>6,700,741</u>
<i>Total net assets</i>	<u>\$ 31,114,615</u>	<u>\$ 31,193,630</u>

The net assets of Tri-Cities decreased \$79,015 or 0.25%. With usage rates generating revenue, which reasonably matches expenses, the financial condition of Tri-Cities is relatively constant. Tri-Cities is continuously investing in its wastewater treatment plant through capital improvements and periodic upgrades of associated equipment. The reader must remember that Tri-Cities intent is not to profit from this operation but to recover costs. Unrestricted net assets increased by \$63,544, and invested in capital assets, net of related debt decreased by \$142,559. Total liabilities decreased \$514,872 which was due to a decrease in the long-term liabilities.

Table 2 shows the changes in net assets for the year ended December 31, 2011, as well as revenue and expense comparisons to 2010.



**Tri-Cities North Regional Wastewater Authority**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited

Table 2  
Change in Net Assets

	<u>2011</u>	<u>2010</u>
<u>Operating revenues:</u>		
Charges for services	\$ 3,285,529	\$ 3,264,721
Rentals	166,494	151,606
Other revenues	10,854	234
Total operating revenues	<u>3,462,877</u>	<u>3,416,561</u>
<u>Operating expenses:</u>		
Personal services	117,140	123,222
Contractual services	2,027,944	1,755,635
Materials and supplies	5,244	3,782
Other operating expenses	379,212	33,787
Depreciation	1,049,933	1,016,705
Total operating expenses	<u>3,579,473</u>	<u>2,933,131</u>
Operating income (loss)	<u>(116,596)</u>	<u>483,430</u>
<u>Nonoperating revenues (expenses):</u>		
Interest income	84,974	47,191
Contributions	-	202,000
Interest expense	(122,884)	(152,261)
Loss on disposal of capital asset	-	(10,735)
Total non-operating revenues (expenses)	<u>(37,910)</u>	<u>86,195</u>
Income (loss) before other revenues	<u>(154,506)</u>	<u>569,625</u>
<u>Other revenues:</u>		
Capital contributions	<u>75,491</u>	<u>3,463,509</u>
Increase (decrease) in net assets	(79,015)	4,033,134
Net assets at beginning of year	<u>31,193,630</u>	<u>27,160,496</u>
Net assets at end of year	<u>\$ 31,114,615</u>	<u>\$ 31,193,630</u>

Tri-Cities only activity is business-type activity, which is the operation of the wastewater treatment plant (including associated piping and facilities). The wastewater treatment plant treats sewage from the three member communities and a small portion of Miami County. Tri-Cities charges each member city for sewage treatment services provided to the cities' residents in accordance with the joint venture agreement dated June 11, 1996. Such charges are allocated based upon each city's annual usage and are adjusted each year accordingly. Rates charged for wastewater treatment usage have remained constant from 1996 through 2011. During 2011, the plant generated revenues from charges for services in excess of \$3.2 million and had total expenses of approximately \$3.5 million.

**Tri-Cities North Regional Wastewater Authority**

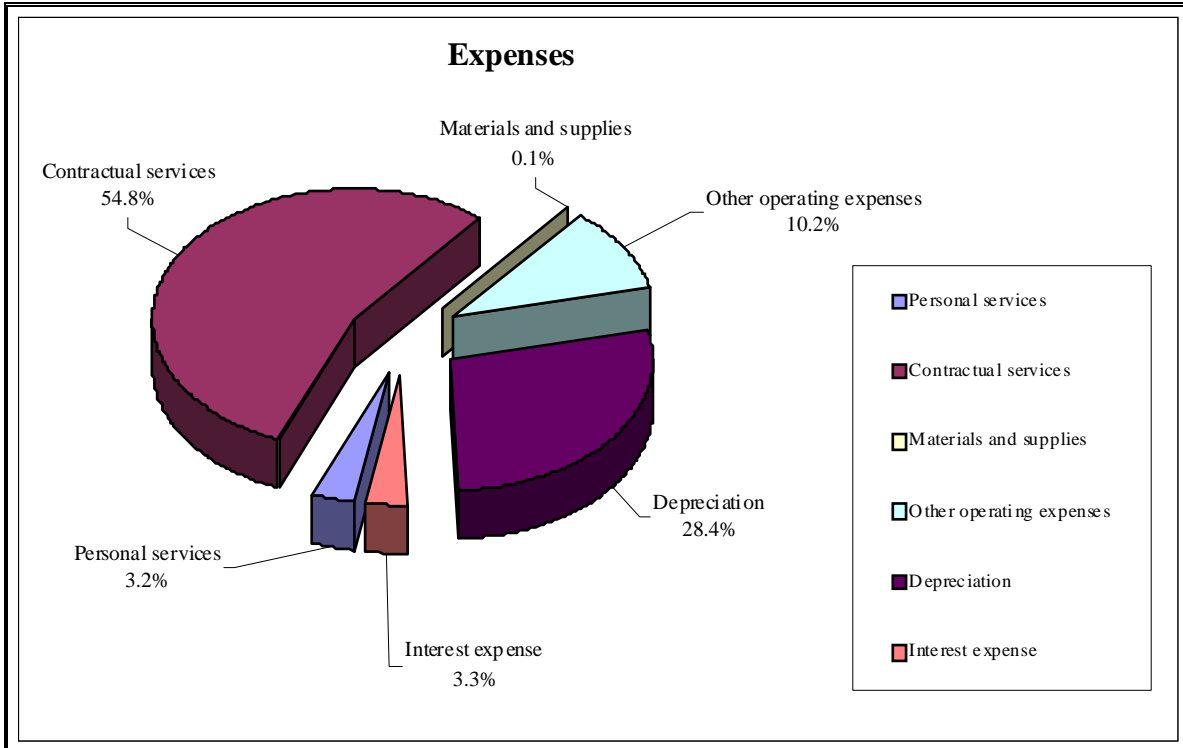
Management's Discussion and Analysis

For the Year Ended December 31, 2011

Unaudited

Sound investment strategies earned interest income of \$84,974 for Tri-Cities during 2011, which reflects an increase of \$37,783 from 2010. The interest expense of \$122,884 for 2011 resulted from outstanding loans from the Ohio Water Development Authority (OWDA).

Contractual services make up 54.8% of Tri-Cities expenses. Tri-Cities north regional facilities are operated and maintained for Tri-Cities by a private operations contractor. These expenses are recorded as contractual services.



**Capital Assets and Debt Administration**

**Capital Assets**

*Table 3  
Capital Assets, at Year End  
(Net of Depreciation)*

	<u>2011</u>	<u>2010</u>
Land	\$ 3,901,427	\$ 3,901,427
Construction in progress	215,491	150,534
Infrastructure	2,790,316	2,898,238
Buildings and improvements	20,413,973	20,709,335
Machinery and equipment	3,489,516	3,846,535
Vehicles	2,056	25,779
<b>Total capital assets</b>	<b><u>\$ 30,812,779</u></b>	<b><u>\$ 31,531,848</u></b>

**Tri-Cities North Regional Wastewater Authority**

Management's Discussion and Analysis

For the Year Ended December 31, 2011

Unaudited

A review of Table 3 shows that capital assets (net of depreciation) decreased \$719,069. The decrease is due to current year depreciation expense exceeding current year additions.

See Note 4 of the notes to the basic financial statements for more detailed information.

**Debt**

At December 31, 2011, Tri-Cities had five outstanding OWDA loans totaling \$6,462,449; \$712,894 of which is due within one year. This reflects a \$576,510 overall decrease from 2010 in the OWDA loans liability.

*Table 4  
Outstanding Debt, at Year End*

	<u>2011</u>	<u>2010</u>
<i>OWDA loans payable:</i>		
<i>2000 OWDA loan, 4.66%</i>	\$ 1,027,274	\$ 1,082,204
<i>2001 OWDA loan, 0.27%</i>	3,165,803	3,327,616
<i>2004 OWDA loan, 3.79%</i>	1,043,512	1,280,808
<i>2004 OWDA loan, 4.00%</i>	523,090	641,419
<i>2008 OWDA loan, 5.11%</i>	702,770	706,912
<i>Totals</i>	<u>\$ 6,462,449</u>	<u>\$ 7,038,959</u>

The 2000 loan was issued for the nitrification process improvement project and it matures in 2021. The 2001 loan was issued for the Ross Road pumping station improvements project and it matures in 2022. The 2004 loan carrying a 3.79% interest rate was issued for the Sludge Storage Facility & Sludge Application Farm. The 2004 loan carrying a 4% interest rate was issued for the parallel force main sewer project. The 2008 loan carrying a 5.11% interest rate was issued for the Comprehensive plan/modeling sanitary sewer system project.

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

**Current Financial Issues and Concerns**

At December 31, 2011, Tri-Cities had total assets of \$37,897,037 and total net assets of \$31,114,615 which resulted from a change in net assets of \$79,015. Ongoing prudent management of Tri-Cities resources by the Board of Trustees provided financial stability 2011.

**Contacting Tri-Cities**

This financial report is designed to provide the citizens, taxpayers and consumers of the cities of Huber Heights, Vandalia and Tipp City, creditors and investors with a general overview of Tri-Cities finances and to show Tri-Cities accountability for the monies it receives. If you have any questions about this report or need additional financial information, contact David J. Heckler, Tri-Cities General Manager, 3777 Old Needmore Road, Dayton, Ohio 45424, 937-236-6558 or email to [dheckler@tri-cities.org](mailto:dheckler@tri-cities.org).

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***Tri-Cities North Regional Wastewater Authority***  
**Montgomery County, Ohio**  
**Statement of Net Assets**  
**December 31, 2011**

Assets:

Current assets:

Equity in pooled cash and cash equivalents	\$ 1,958,545
Investments	4,685,801
Receivables:	
Accounts	4,118
Accounts from related parties	420,916
Accrued interest	13,757
Prepaid items	1,121
Total current assets	<u>7,084,258</u>

Non-current assets:

Capital assets:

Land	3,901,427
Construction in progress	215,491
Depreciable capital assets, net	<u>26,695,861</u>
Total non-current assets	<u>30,812,779</u>
Total assets	<u>37,897,037</u>

Liabilities:

Current liabilities:

Accounts payable	114,579
Contracts payable	199,632
Accrued wages and benefits	2,894
Compensated absences payable	658
Due to other governments	2,210
OWDA loans payable	<u>712,894</u>
Total current liabilities	<u>1,032,867</u>

Long-term liabilities:

OWDA loans payable, net of current portion	<u>5,749,555</u>
Total liabilities	<u>6,782,422</u>

Net assets:

Invested in capital assets, net of related debt	24,350,330
Unrestricted	<u>6,764,285</u>
Total net assets	<u>\$ 31,114,615</u>

See accompanying notes to the basic financial statements.

***Tri-Cities North Regional Wastewater Authority***  
**Montgomery County, Ohio**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended December 31, 2011**

<u>Operating revenues:</u>	
Charges for services	\$ 3,285,529
Rental income	166,494
Other	10,854
Total operating revenue	<u>3,462,877</u>
<u>Operating expenses:</u>	
Personal services	117,140
Contractual services	2,027,944
Supplies and materials	5,244
Other operating costs	379,212
Depreciation	1,049,933
Total operating expenses	<u>3,579,473</u>
Operating loss	<u>(116,596)</u>
<u>Non-operating revenues (expenses):</u>	
Interest	84,974
Interest and fiscal charges	(122,884)
Total non-operating revenues (expenses)	<u>(37,910)</u>
Loss before other revenues	<u>(154,506)</u>
<u>Other revenues</u>	
Capital contributions	<u>75,491</u>
Change in net assets	(79,015)
Net assets at beginning of year	<u>31,193,630</u>
Net assets at end of year	<u>\$ 31,114,615</u>

See accompanying notes to the basic financial statements.

***Tri-Cities North Regional Wastewater Authority***  
**Montgomery County, Ohio**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2011**

Cash flows from operating activities:	
Cash received from customers	\$ 3,311,072
Cash payments for employee services and benefits	(146,893)
Cash payments to suppliers for goods and services	<u>(2,320,266)</u>
Net cash provided by operating activities	<u>843,913</u>
Cash flows from capital and related financing activities:	
Proceeds of loans	30,858
Interest paid on debt	(122,884)
Principal payment on loans	(607,368)
Acquisition of capital assets	<u>(360,530)</u>
Net cash used for capital and related financing activities	<u>(1,059,924)</u>
Cash flows from investing activities:	
Sale of investments	4,824,843
Purchase of investments	(4,057,893)
Investment income	<u>56,722</u>
Net cash provided by investing activities	<u>823,672</u>
Net increase in cash and cash equivalents	607,661
Cash and cash equivalents at beginning of year	<u>1,350,884</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,958,545</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (116,596)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,049,933
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(151,805)
Prepaid items	743
Increase (decrease) in liabilities:	
Accounts payable	(108,182)
Contracts payable	199,632
Accrued wages and benefits	(203)
Compensated absences	(29,198)
Due to other governments	<u>(411)</u>
Net cash provided by operating activities	<u><u>\$ 843,913</u></u>
Non-cash capital and related financing activities:	
Capital contributions received from OWDA	<u><u>\$ 75,491</u></u>

See accompanying notes to the financial statements.

**Tri Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

**Note 1 – Summary of Significant Accounting Policies and Description of the Reporting Entity**

A. Description of the Reporting Entity

The Tri-Cities North Regional Wastewater Authority (“Tri-Cities”) is a joint venture among the cities of Vandalia, Tipp City and Huber Heights. Tri-Cities is a stand-alone government which is governed by a management board of trustees consisting of the city managers of the three member cities. The board has complete authority over all aspects of the operation. Tri-Cities supplies all participating residents of the member cities with sewage treatment services. Each city owns the sewage lines located in its city and bills its residents for the treatment service provided by Tri-Cities.

Tri-Cities board has retained an outside contractor to manage daily operations. These amounts are recorded as contractual services expense. Tri-Cities board has also hired a General Manager to oversee the management of daily operations. These amounts are recorded as personal services expense.

Tri-Cities charges each member city for sewage treatment services provided to the cities’ residents in accordance with the joint venture agreement dated June 11, 1996. Such charges are allocated based upon each city’s annual usage and are adjusted each year accordingly. The continued existence of Tri-Cities is dependent upon the participation of each member city, and each participating city has an equity interest in Tri-Cities. The following is a schedule of the participating cities’ equity interest at December.

	<u>2011</u>	<u>2010</u>
<i>Vandalia</i>	26.74%	27.43%
<i>Tipp City</i>	19.72%	20.45%
<i>Huber Heights</i>	<u>53.54%</u>	<u>52.12%</u>
	<u>100.00%</u>	<u>100.00%</u>

The financial statements of the Tri-Cities North Regional Wastewater Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Tri-Cities also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. Tri-Cities has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The more significant of the Tri-Cities accounting policies are described below.



***Tri Cities North Regional Wastewater Authority***

***Montgomery County, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2011

**B. Reporting Entity**

The reporting entity is comprised of the stand-alone government, component units and other organizations that are included to ensure that the financial statements of Tri-Cities are not misleading. The stand-alone government consists of all departments, boards and agencies that are not legally separate from Tri-Cities.

Component units are legally separate organizations for which Tri-Cities is financially accountable. Tri-Cities is financially accountable for an organization if Tri-Cities appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services performed or provided by the organization; or (2) is legally entitled to or can otherwise access the organization's resources; is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on Tri-Cities in that Tri-Cities approves their budget, the issuance of their debt or the levying of their taxes. Based upon the application of these criteria, Tri-Cities has no component units.

**C. Basis of Presentation**

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

Tri-Cities use a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

**D. Measurement Focus**

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of Tri-Cities are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how Tri-Cities finances and meets the cash flow needs of its enterprise activity.

**E. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Tri-Cities financial statements are prepared using the accrual basis of accounting.

Revenue is recorded on the accrual basis when the exchange takes place. Expenses are recognized at the time they are incurred.

**Tri Cities North Regional Wastewater Authority**

**Montgomery County, Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2011

F. Investments

During 2011, investments included commercial paper, certificates of deposit, and government sponsored mortgage-backed securities.

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

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded.

H. Capital Assets

Capital assets utilized by Tri-Cities are reported on the statement of net assets. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Tri-Cities maintains a capitalization threshold of one thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
<i>Infrastructure</i>	<i>65 years</i>
<i>Buildings and improvements</i>	<i>45-50 years</i>
<i>Machinery and equipment</i>	<i>5-15 years</i>
<i>Vehicles</i>	<i>6 years</i>

Tri-Cities policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset.

***Tri Cities North Regional Wastewater Authority***  
***Montgomery County, Ohio***

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to service already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes employees currently eligible to receive termination benefits and those Tri-Cities has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and the employee's wage rate at year-end, taking into consideration any limits specified in Tri-Cities termination policy.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Tri-Cities or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Tri-Cities applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Tri-Cities did not have any restricted net assets for 2011.

K. Operating and Nonoperating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For Tri-Cities, these revenues are charges for services, rentals, and miscellaneous reimbursements. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of Tri-Cities.

Nonoperating revenues are those revenues that are not generated directly from primary activities. For Tri-Cities, this revenue is interest income. Nonoperating expenses are costs other than those necessary costs incurred to provide the goods or services that are the primary activity of Tri-Cities.

L. Contributions of Capital

Contributions of capital arise from outside contributions of capital assets or outside contributions of resources restricted to capital acquisition and construction. Tri-Cities had capital contributions during 2011 in the amount of \$75,491.

M. Estimates

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

**Tri Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and that are either unusual in nature or infrequent in occurrence. Tri-Cities did not have any extraordinary or special items during 2011.

**Note 2 – Deposits and Investments**

The investment and deposit of Tri-Cities monies are governed by the Investment and Deposit Policy of Tri-Cities North Regional Wastewater Authority as formally adopted by the Board of Trustees. In accordance with these provisions, investments purchased for the portfolio may be safekept only by financial institutions that have been authorized by Tri-Cities Board of Trustees through formal resolution and recommendations received from the Finance Committee, which considers such criteria as the financial institution's insured status, size, financial condition, location and fee structure.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities, the face value of which is at least 105% of the total value of public monies on deposit at the institution.

Investments are made through an individual investment account maintained by the fiscal agent. Whenever there are monies in Tri-Cities account which will not be required to be used for a period of thirty days or more, such funds are invested subject to the limitations contained within the investment policy of Tri-Cities, and subject to all applicable laws and regulations.

The investment objectives controlling the management of Tri-Cities investment portfolio are, in order of importance: (1) Safety of principal. Recognizing that all investments contain one or more elements of risk, the portfolio shall be prudently managed with specific consideration given to credit risk, market risk, and prepayment risk; (2) Liquidity to meet current and contingent requirements; (3) Diversity of investments. Tri-Cities shall diversify its investments to avoid incurring unreasonable risks associated with the practice of concentrating on investments in specific security types and individual institutions; (4) Public Confidence. Tri-Cities shall avoid any transaction which might impair its public confidence.

According to the Tri-Cities investment policy, the maximum maturity of any investment is limited to a final stated maturity of five years or an average life of five years, where the average life is estimated by nationally recognized firms independent of the dealer selling the security, unless matched to a specific cash flow requirement.

The provisions of Tri-Cities investment policy authorizes the following investments:

1. Bonds, notes, certificates of indebtedness, treasury bills or other securities which are guaranteed by the full faith and credit of the United States.
2. Short-term discount obligations of the Federal National Mortgage Association (FNMA).

***Tri Cities North Regional Wastewater Authority***

***Montgomery County, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2011

3. State Treasury Asset Reserve of Ohio (STAR Ohio).
4. Money market mutual funds registered by the federal government under the amended Investment Company Act of 1940 provided that the portfolio is limited to bonds, notes, certificates of indebtedness, treasury bills or other securities which are guaranteed by the full faith and credit of the United States or agreements to repurchase these same types of obligations.
5. Deposits of any Ohio financial institution subject to collateralization of public funds defined by the Ohio Revised Code.
6. Shares, savings accounts, certificates of deposit, or other deposit accounts legally issuable by State or Federal Savings and Loan Associations which are insured by the FDIC.
7. Prime Commercial Paper issued with a credit rating of P-1 by Standard & Poor's Corporation or A-1 by Moody's rating service provided no more than 10% of the portfolio, at the time of investment, is invested in commercial paper.

*Custodial credit risk* is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of Tri-Cities cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105% of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institution. Tri-Cities policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

A. Deposits

At year-end, the carrying amount of Tri-Cities deposits was \$1,958,545. Based on the criteria described in GASB Statement No. 40 "Deposits and Investment Risk Disclosures", as of December 31, 2011, \$981,602 of Tri-Cities bank balance of \$1,958,710 was exposed to custodial risk as discussed above, while \$977,108 was covered by Federal Deposit Insurance Corporation.

B. Investments

At December 31, 2011, Tri-Cities had the following investments:

**Tri Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

<u>Investment type</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Maturity</u>	<u>Rating</u>
Federal National Mortgage Association	\$ 250,095	8.27%	02/14/14	AAA <sup>(1)</sup>
Federal National Mortgage Association	250,438	8.28%	04/18/14	AAA <sup>(1)</sup>
Federal Home Loan Mortgage Corporation	249,873	8.26%	08/25/14	AAA <sup>(1)</sup>
Federal Home Loan Mortgage Corporation	249,953	8.26%	10/06/14	AAA <sup>(1)</sup>
Federal National Mortgage Association	261,148	8.63%	10/21/15	AAA <sup>(1)</sup>
Federal Home Loan Mortgage Corporation	250,215	8.27%	07/27/16	AAA <sup>(1)</sup>
Federal National Mortgage Association	250,107	8.27%	08/24/16	AAA <sup>(1)</sup>
Federal Home Loan Mortgage Corporation	250,185	8.27%	09/02/16	AAA <sup>(1)</sup>
Federal National Mortgage Association	249,987	8.27%	10/12/16	AAA <sup>(1)</sup>
Federal Home Loan Mortgage Corporation	500,045	16.54%	10/19/16	AAA <sup>(1)</sup>
Federal Home Loan Mortgage Corporation	250,217	8.27%	10/27/16	AAA <sup>(1)</sup>
GE Interest Plus	12,382	0.41%	less than one year	AAA <sup>(1)</sup>
	<u>\$ 3,024,645</u>			

<sup>(1)</sup> Standard and Poor's rating

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>		
	<u>Value</u>	<u>&lt; 1 year</u>	<u>&lt; 2 years</u>	<u>&lt; 3 years</u>
Negotiable certificates of deposit	\$ 1,661,156	528,076	961,362	171,718

All of Tri-Cities negotiable CDs are covered in full FDIC insurance.

*Custodial credit risk* for an investment is the risk that in the event of failure of the counterparty, Tri-Cities will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in Federal Home Loan Mortgage Corporation (FHLMC), and Federal National Mortgage Association (FNMA) are held by the counterparty's trust department or agent and not in Tri-Cities name. All of Tri-Cities negotiable certificates of deposit are registered securities and covered in full by FDIC insurance.

*Interest rate risk* is the possibility that changes in interest rates will adversely affect the fair value of an investment. Tri-Cities investment policy provides that Tri-Cities shall attempt to match the term to maturity of its investments with anticipated cash flow requirements. It limits direct investment in securities with an average life of 5 years from the date of settlement.

*Credit Risk* is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Tri-Cities investment policy limits investment in prime commercial paper to those with a credit rating of P-1 by Standard & Poor's Corporation or A-1 by Moody's rating service.

***Tri Cities North Regional Wastewater Authority***

***Montgomery County, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2011

*Concentration of credit risk* is the possibility of loss attributed to the magnitude of Tri-Cities investment in a single issuer. Tri-Cities investment policy states that the portfolio shall be diversified so as to avoid concentrations of credit risk from any rated issuer: (1) At the time of purchase, aggregate collateralized investments in the obligations of any financial institution are limited to no more than 20% of the portfolio, where eligible collateral is defined by the Ohio Revised Code; (2) At the time of purchase, aggregate investments in the obligations of any U.S. corporation and non-collateralized investments in the obligations of any financial institution are limited to no more than 10% of the portfolio; (3) Investments in eligible short term investments which can be readily converted to cash within 48 hours are limited to no more than 30% of the portfolio.

**Note 3 – Accounts Receivable**

Accounts receivable represent monies due from United Water and various other parties. Accounts receivable from related parties are monies due from the City of Vandalia, City of Huber Heights and the City of Tipp for their portion of sewage treatment services. (See Note 6 for more information). No allowance for doubtful accounts has been recorded as all amounts are considered collectible. All receivables are expected to be collected within one year.

**Note 4 – Capital Assets**

Capital asset activity for the year ending December 31, 2011 was as follows:

**Tri Cities North Regional Wastewater Authority**

**Montgomery County, Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2011

<u>Business-type activities</u>	<u>Balance</u> <u>12/31/2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2011</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,901,427	\$ -	\$ -	\$ 3,901,427
Construction in progress	<u>150,534</u>	<u>214,420</u>	<u>(149,463)</u>	<u>215,491</u>
Total capital assets, not being depreciated	<u>4,051,961</u>	<u>214,420</u>	<u>(149,463)</u>	<u>4,116,918</u>
<i>Capital assets, being depreciated:</i>				
Infrastructure	4,239,074	1,975	-	4,241,049
Buildings and improvements	25,336,980	258,545	-	25,595,525
Machinery and equipment	8,437,095	5,387	-	8,442,482
Vehicles	<u>305,585</u>	<u>-</u>	<u>-</u>	<u>305,585</u>
Total capital assets, being depreciated	<u>38,318,734</u>	<u>265,907</u>	<u>-</u>	<u>38,584,641</u>
<i>Less accumulated depreciation:</i>				
Infrastructure	(1,340,836)	(109,897)	-	(1,450,733)
Buildings and improvements	(4,627,645)	(553,907)	-	(5,181,552)
Machinery and equipment	(4,590,560)	(362,406)	-	(4,952,966)
Vehicles	<u>(279,806)</u>	<u>(23,723)</u>	<u>-</u>	<u>(303,529)</u>
Total accumulated depreciation	<u>(10,838,847)</u>	<u>(1,049,933)</u>	<u>-</u>	<u>(11,888,780)</u>
Total capital assets being depreciated, net	<u>27,479,887</u>	<u>(784,026)</u>	<u>-</u>	<u>26,695,861</u>
Business-type activities capital assets, net	<u>\$ 31,531,848</u>	<u>\$ (569,606)</u>	<u>\$ (149,463)</u>	<u>\$ 30,812,779</u>

**Note 5 – Long Term Obligations**

A summary of debt and other long-term obligations as of December 31, 2011 follows:

	<u>Balance</u> <u>12/31/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/11</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>Loans</u>					
2000 OWDA loan, 4.66%	\$ 1,082,204	\$ -	\$ (54,930)	\$ 1,027,274	\$ 88,210
2001 OWDA loan, 0.27%	3,327,616	-	(161,813)	3,165,803	220,200
2004 OWDA loan, 3.79%	1,280,808	-	(237,296)	1,043,512	246,375
2004 OWDA loan, 4.00%	641,419	-	(118,329)	523,090	123,109
2008 OWDA loan, 5.11%	<u>706,912</u>	<u>30,858</u>	<u>(35,000)</u>	<u>702,770</u>	<u>35,000</u>
Total loans	<u>7,038,959</u>	<u>30,858</u>	<u>(607,368)</u>	<u>6,462,449</u>	<u>712,894</u>
<u>Other obligations</u>					
Compensated absences	<u>29,856</u>	<u>658</u>	<u>(29,856)</u>	<u>658</u>	<u>658</u>
Total long-term obligations	<u>\$ 7,068,815</u>	<u>\$ 31,516</u>	<u>\$ (637,224)</u>	<u>\$ 6,463,107</u>	<u>\$ 713,552</u>



**Tri Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

The 2000 loan was issued for the nitrification improvement project. The principal amount of the original loan is \$1,825,577. The loan was issued with an interest rate of 4.66% with final maturity of January 1, 2021. Current operations are expected to provide cash flows for the repayment of this loan.

The 2001 loan was issued for the Ross Road pumping station improvements project. The principal amount of the original loan \$6,314,982. The loan was issued with an interest rate of .27% with final maturity of July 1, 2022. Current operations are expected to provide cash flows for the repayment of this loan.

The 2004 loan carrying a 3.79% interest rate was issued for the Sludge Storage Facility and Sludge Application Farm. The principal amount of the original loan is \$2,382,257. The loan was issued with a final maturity of July 1, 2015. Current operations are expected to provide cash flows for the repayment of this loan.

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

The 2008 loan carrying a 5.11% interest rate was issued for the comprehensive plan project. The principal amount of the original loan is \$709,823 including capitalized interest. The loan was issued with a final maturity of July 1, 2013. Current operations are expected to provide cash flows for the repayment of this loan.

The annual debt service requirements for payment of principal and interest at December 31, 2011, are as follows:

<u>Year</u>	<u>OWDA loans</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 712,894	\$ 112,338
2013	802,249	410,457
2014	822,352	72,894
2015	843,243	52,000
2016	434,419	34,400
2017-2021	2,196,375	80,184
2022	650,917	604
<i>Total</i>	<u>\$ 6,462,449</u>	<u>\$ 762,877</u>

The above annual debt service requirements are based upon the latest estimated amortization schedules provided from OWDA. Until a loan is fully disbursed or closed with the OWDA Chief Engineer, a final amortization is not available for the loan.

***Tri Cities North Regional Wastewater Authority***

***Montgomery County, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2011

**Note 6 – Related Party Transactions**

Tri-Cities was party to several transactions during 2011 involving the three member cities, which are summarized as follows:

A. Accounts Receivable

Accounts Receivable as of December 31, 2011, includes the balance due from the member cities for sewage treatment services provided to the cities' residents. The amounts included in accounts receivable from member cities is as follows:

	<u>2011</u>
<i>Vandalia</i>	\$ 69,385
<i>Tipp City</i>	57,474
<i>Huber Heights</i>	<u>294,057</u>
<i>Total</i>	<u>\$ 420,916</u>

B. Charges for Services

Charges for services for 2011 include the amounts charged to the member cities for sewage treatment services provided to the cities' residents. The amount included in charges for services from member cities is as follows:

	<u>2011</u>
<i>Vandalia</i>	\$ 877,851
<i>Tipp City</i>	647,198
<i>Huber Heights</i>	<u>1,757,480</u>
<i>Total</i>	<u>\$ 3,282,529</u>

**Tri Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

**Note 7 – Risk Management**

Tri-Cities is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Tri-Cities carries liability insurance with an independent third party.

The following is a list of insurance coverage and deductibles for 2011:

<u>Coverage</u>	<u>Limit</u>	<u>Deductible</u>
<i>Property</i>	\$ 18,182,752	\$ 2,500
<i>Flood</i>	500,000	25,000
<i>Earthquake</i>	2,000,000	25,000
<i>General liability:</i>		
<i>Per occasion</i>	1,000,000	none
<i>Aggregate</i>	3,000,000	none
<i>Public Officials:</i>		
<i>Per occasion</i>	1,000,000	1,000
<i>Aggregate</i>	3,000,000	1,000
<i>Umbrella:</i>		
<i>Per occasion</i>	5,000,000	none
<i>Aggregate</i>	5,000,000	none
<i>Contractors equipment</i>	1,300,121	1,000
<i>Crime:</i>		
<i>Employee dishonesty</i>	100,000	1,000
<i>Theft - inside premises</i>	10,000	250
<i>Theft - outside premises</i>	10,000	250
<i>Forgery and alteration</i>	100,000	250
<i>Boiler and machinery</i>	<i>included in property</i>	2,500
<i>Automobile:</i>		
<i>Liability</i>	1,000,000	none
<i>Comprehensive</i>	<i>Actual cash value</i>	250
<i>Collision</i>	<i>Actual cash value</i>	1,000
<i>Uninsured motorist</i>	250,000	none
<i>Under insured motorist</i>	250,000	none
<i>Premises pollution liability</i>	5,000,000	250,000

There were no significant reductions in coverage from prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

Tri-Cities pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***Tri Cities North Regional Wastewater Authority***

***Montgomery County, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2011

**Note 8 – Public Employees Retirement System Defined Benefit Pension Plan**

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2011 Tri-Cities employees elected the traditional plan and were required to contribute 10% of its annual covered salary. Tri-Cities contribution rate for pension benefits for 2011 was 10%. Tri-Cities contribution rate for pension benefits for 2010 was 8.5% from January 1 through February 28, 2010 and 9% for March 1 through December 31, 2010. The Ohio Revised Code provides statutory authority for member and employer contributions.

Tri-Cities required contributions for pension obligations to the traditional plan for the years ended December 31, 2011, 2010, and 2009 were \$10,577, \$9,475, and \$8,200 respectively; 97.26% has been contributed for 2011 and 100% for 2010 and 2009.

**Note 9 – Postemployment Benefits**

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, 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.

**Tri Cities North Regional Wastewater Authority**  
**Montgomery County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

In order to qualify for post-employment 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 the OPERS meets the definition of an Other Postemployment Benefit (OPED) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPED benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 227 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Tri-Cities required contributions for health care for the years ended December 31, 2011, 2010, and 2009 were \$4,231, \$5,264, and \$5,306 respectively; 97.26% has been contributed for 2011 and 100% for 2010 and 2009.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. The 2011 local government employer contribution rate was 14% of covered payroll; 4% of covered payroll was the portion that was used to fund health care for members in the traditional plan. The 2010 local government employer contribution rate was 14% of covered payroll; 5.5% of covered payroll was the portion that was used to fund health care from January 1 through February 28, 2010 and 5% for March 1 through December 31, 2010.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement board on September 9, 2004 was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

**Note 10 – Other Employee Benefits**

**A. Deferred Compensation Plan**

Tri-Cities employee participates in the Ohio Public Employees Deferred Compensation Plan. This plan is created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**B. Insurance Benefits**

Tri-Cities employees have term life insurance through an independent third party.

**Tri Cities North Regional Wastewater Authority**

**Montgomery County, Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2011

C. Compensated Absences

*Accumulated Unpaid Vacation*

Tri-Cities employees earns vacation leave based on length of service and may accrue a maximum of 45 days. In the event of a termination of employment, death or retirement, the employee (or the estate) would be paid for unused vacation leave. The total obligation for vacation accrual for Tri-Cities amounted to \$658 at December 31, 2011.

*Accumulated Unpaid Sick Leave*

Tri-Cities employees earns sick leave at the rate of 4.616 hours per eighty hours of service. A maximum of 1,250 hours may be carried from one year to the next. Any hours over 1,250 accrued and not taken will be paid on a one for three basis at the end of the year. In the case of death or retirement, the employee (or the estate) would be paid for one half of the accumulated leave with 625 hours being the maximum amount paid. During 2011, Tri-Cities paid out sick leave leaving no hours to be accrued at year end.

**Note 11 – Operating Leases**

During 2008, Tri-Cities renewed an existing operating lease with Bowman and Landes Turkeys, Inc. for the use of 675 acres of land. The lease is set to expire during 2012 at which time it may be renewed for an additional five year period. Future rental income is based on the type and amount of crop harvested net of related expenses. During 2011, Tri-Cities received \$158,694 in revenues from the lease agreement.

During 2008, Tri-Cities entered into a new operating lease with the Miami Conservancy District for the use of 235 acres of land. The lease is set to expire during 2027 at which time it may be renewed for a twenty year period. During 2011, Tri-Cities paid \$17,625 for the use of this land.

<u>Year</u>	<u>Lease</u> <u>Amount</u>
2012	\$ 17,625
2013	17,625
2014	17,625
2015	17,625
2016	17,625
2017-2021	88,125
2021-2026	88,125
2027	17,625
	<u>\$ 282,000</u>

*Tri Cities North Regional Wastewater Authority  
Montgomery County, Ohio*

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011

**Note 12 – Contingencies**

In September 2008, the Ohio Environmental Protection Agency (the "Ohio EPA") informed Tri-Cities that its upcoming National Pollutant Discharge Elimination System (NPDES) wastewater permit renewal would include new reporting requirements intended to assist the EPA in enforcing the prohibition against all sewer system overflows (SSO) occurring anywhere in the collection systems, and that Tri-Cities would be expected to negotiate administrative findings and orders with the Director of Ohio EPA in 2009 that would impose a schedule to eliminate all remaining overflow points in the collection systems. Tri-Cities objected to the conditions and met in January 2009 with representatives of the Ohio EPA. Following the meeting, Tri-Cities sent information to the Ohio EPA to correct what they believe to be a misunderstanding about the number of remaining overflow points; and to ask the Ohio EPA to reconsider its position.

In March 2009, the U.S. Environmental Protection Agency (the "U.S. EPA") announced their intention to conduct a Compliance Enforcement Inspection of Tri-Cities treatment plant and interceptor sewer lines, and sewer lines of the member cities. In July of 2009, Tri-Cities did receive a new NPDES permit which includes new reporting requirements for SSO's as anticipated. The U.S EPA did conduct a Compliance Enforcement Inspection in 2009 as intended and subsequently issued a unilateral Administrative Order (UAO) against Tri-Cities on April 21, 2010. The Administrative Order included Findings against Tri-Cities for NPDES violations for SSO's and an Order for Compliance with the NPDES permit and the Clean Water Act. The UAOs will terminate upon compliance with the terms therein, and upon a demonstration that no SSOs have occurred for at least two consecutive years. The UAOs do not impose a fine for past SSOs, but reserve the right to seek such fine. Tri-Cities and its members have requested certain modifications to the language of the UAOs. The U.S. EPA has agreed to the modifications in principle, but has not yet issued modified UAOs.

In March 2012, the Ohio EPA issued a Notice of Violation (NOV) letter to Tri-Cities, asserting significant violations of ammonia limits contained in Tri-Cities NPDES discharge permit. The letter states that the Ohio EPA will initiate a meeting with Tri-Cities to discuss the alleged violations. Tri-Cities will meet with the Agency in an effort to resolve the claim.

**Supplementary Information**



**Tri-Cities North Regional Wastewater Authority**  
**Schedule of Revenues, Expenses and Changes**  
**In Fund Equity - Budget (Non-GAAP Basis) and Actual**  
**For the Year Ended December 31, 2011**

	Budgeted Amounts		Actual	Variance with Final budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Charges for services	\$ 3,265,981	\$ 3,265,981	\$ 3,140,531	\$ (125,450)
Investment income	50,000	50,000	56,722	6,722
Tap-in fees	8,000	8,000	-	(8,000)
Grants	-	-	75,491	75,491
Rentals	132,800	166,494	166,494	-
Other	1,000	1,000	4,047	3,047
Total revenue	<u>3,457,781</u>	<u>3,491,475</u>	<u>3,443,285</u>	<u>(48,190)</u>
<u>Expenses:</u>				
Current:				
Personal services	125,130	153,129	146,893	6,236
Contractual services	1,864,715	2,775,393	2,555,621	219,772
Supplies and materials	4,250	7,892	5,499	2,393
Other	25,500	421,067	421,047	20
Capital outlay	143,770	1,561,726	848,525	713,201
Debt service:				
Principal retirement	840,153	607,368	607,368	-
Interest and fiscal charges	92,026	92,026	92,026	-
Total expenses	<u>3,095,544</u>	<u>5,618,601</u>	<u>4,676,979</u>	<u>941,622</u>
Net change in fund equity	362,237	(2,127,126)	(1,233,694)	893,432
Fund equity at beginning of year	4,424,631	4,424,631	4,424,631	-
Prior year encumbrances appropriated	<u>2,263,970</u>	<u>2,263,970</u>	<u>2,263,970</u>	<u>-</u>
Fund equity at end of year	<u>\$ 7,050,838</u>	<u>\$ 4,561,475</u>	<u>\$ 5,454,907</u>	<u>\$ 893,432</u>

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

Change in net assets	\$ (79,015)
Net adjustment for revenue accruals	(150,350)
Net adjustment for expense accruals	62,381
Decrease in fair value of investments for 2010	(19,833)
Increase in fair value of investments for 2011	(9,874)
OWDA proceeds of loan	30,858
Capital outlay	(330,864)
Depreciation	1,049,933
Principal payments	(607,368)
Encumbrances	(1,179,562)
Excess of revenues under expenses	<u>\$ (1,233,694)</u>

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## STATISTICAL SECTION



## Statistical Section

This part of Tri-Cities Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Tri-Cities overall financial health.

<b><u>Contents</u></b>	<b><u>Page(s)</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how Tri-Cities financial position has changed over time.	<b>S2 - S6</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader understand and assess the factors affecting Tri-Cities ability to generate its most significant local revenue source(s).	<b>S7 - S9</b>
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of Tri-Cities current levels of outstanding debt and Tri-Cities ability to issue additional debt in the future.	<b>S10 - S11</b>
<b>Economic and Demographic Information</b> This schedule offers economic and demographic indicators to help the reader understand the environment within which Tri-Cities financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	<b>S12 - S13</b>
<b>Operating Information</b> This schedule contains service and infrastructure data to help the reader understand how the information in Tri-Cities financial report relates to the services Tri-Cities provides and the activities it performs.	<b>S14 - S15</b>

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. Tri-Cities implemented GASB Statement 34 in fiscal year 2000; schedules presenting government-wide information include information beginning in that year.

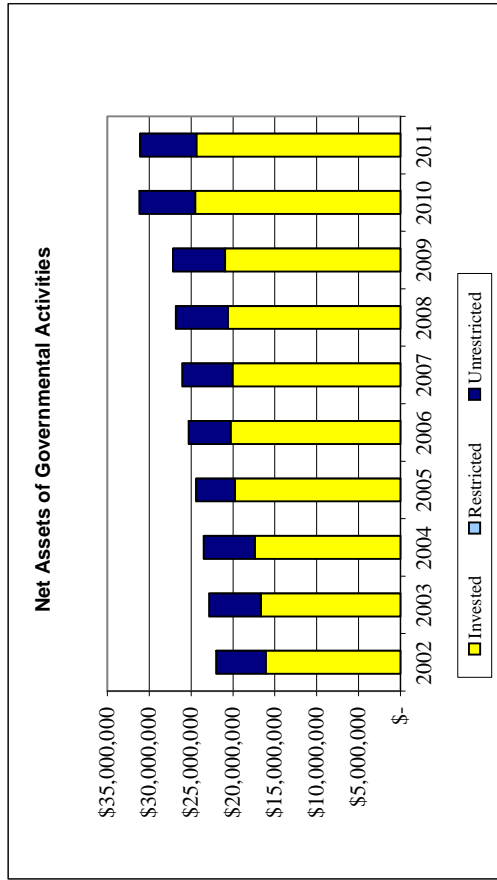
**Tri-Cities North Regional Wastewater Authority**

**Net Assets by Component**

Last Ten Years (1)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Primary government:</b>										
Invested in capital assets, net of related debt	\$ 16,095,632	\$ 16,674,207	\$ 17,372,832	\$ 19,757,295	\$ 20,261,428	\$ 20,015,547	\$ 20,589,469	\$ 20,938,039	\$ 24,492,889	\$ 24,350,330
Unrestricted (deficit)	5,920,615	6,160,658	6,132,499	4,661,674	5,024,856	6,040,268	6,253,564	6,222,457	6,700,741	6,764,285
<b>Total primary government net assets</b>	<b>\$ 22,016,247</b>	<b>\$ 22,834,865</b>	<b>\$ 23,505,331</b>	<b>\$ 24,418,969</b>	<b>\$ 25,286,284</b>	<b>\$ 26,055,815</b>	<b>\$ 26,843,033</b>	<b>\$ 27,160,496</b>	<b>\$ 31,193,630</b>	<b>\$ 31,114,615</b>

(1) Accrual basis of accounting.



**Tri-Cities North Regional Wastewater Authority**

**Changes in Net Assets  
Last Ten Years (1)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Operating expenses	\$ 2,095,091	\$ 2,284,726	\$ 2,392,457	\$ 2,392,720	\$ 2,549,797	\$ 3,018,477	\$ 2,812,790	\$ 2,981,419	\$ 2,933,131	\$ 3,579,473
Operating revenues	3,255,091	3,356,258	3,346,293	3,365,570	3,360,790	3,398,780	3,477,410	3,408,349	3,416,561	3,462,877
Operating income (loss)	1,160,000	1,071,532	953,836	972,850	810,993	380,303	664,620	426,930	483,430	(116,596)
Nonoperating revenues (expenses)	(279,653)	(252,914)	(283,370)	(59,212)	56,322	64,228	122,598	(109,467)	86,195	(37,910)
Other revenues (expenses)	-	-	-	-	-	325,000	-	-	3,463,509	75,491
Change in net assets	\$ 880,347	\$ 818,618	\$ 670,466	\$ 913,638	\$ 867,315	\$ 769,531	\$ 787,218	\$ 317,463	\$ 4,033,134	\$ (79,015)

(1) Accrual basis of accounting.

**Tri-Cities North Regional Wastewater Authority**

**Operating Revenues by Source**

**Last Ten Years (1)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Operating revenues</b>										
Charges for services	\$ 3,219,328	\$ 3,235,217	\$ 3,297,670	\$ 3,301,968	\$ 3,304,227	\$ 3,291,089	\$ 3,274,633	\$ 3,263,720	\$ 3,264,721	\$ 3,285,529
Rentals	31,348	120,941	43,135	56,295	55,222	107,366	159,079	137,331	151,606	166,494
Other operating revenues	4,415	100	5,488	7,307	1,341	325	43,698	7,298	234	10,854
<b>Total operating revenues</b>	<u>\$ 3,255,091</u>	<u>\$ 3,356,258</u>	<u>\$ 3,346,293</u>	<u>\$ 3,365,570</u>	<u>\$ 3,360,790</u>	<u>\$ 3,398,780</u>	<u>\$ 3,477,410</u>	<u>\$ 3,408,349</u>	<u>\$ 3,416,561</u>	<u>\$ 3,462,877</u>

(1) Accrual basis of accounting.



**Tri-Cities North Regional Wastewater Authority**

**Operating Expenses**

**Last Ten Years (1)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Expenses</b>										
Personal services	\$ 81,047	\$ 94,919	\$ 88,661	\$ 93,860	\$ 102,731	\$ 107,321	\$ 118,779	\$ 113,089	\$ 123,222	\$ 117,140
Contractual services	1,389,004	1,396,268	1,448,016	1,449,202	1,548,812	1,883,589	1,659,182	1,833,547	1,755,635	2,027,944
Materials and supplies	2,859	3,867	4,526	4,098	36,432	49,923	4,015	3,917	3,782	5,244
Other operating expenses	-	-	33,298	11,501	7,914	19,939	53,963	43,990	33,787	379,212
Depreciation	622,181	789,672	817,956	834,059	853,908	957,705	976,851	986,876	1,016,705	1,049,933
<b>Total operating expenses</b>	<b>\$ 2,095,091</b>	<b>\$ 2,284,726</b>	<b>\$ 2,392,457</b>	<b>\$ 2,392,720</b>	<b>\$ 2,549,797</b>	<b>\$ 3,018,477</b>	<b>\$ 2,812,790</b>	<b>\$ 2,981,419</b>	<b>\$ 2,933,131</b>	<b>\$ 3,579,473</b>

(1) Accrual basis of accounting.

**Tri-Cities North Regional Wastewater Authority**  
**Nonoperating Revenues and Expenses/Other Revenues and Expenses**  
**Last Ten Years (1)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Nonoperating revenues (expenses)</b>										
Interest income	\$ 157,044	\$ 98,778	\$ 94,337	\$ 122,547	\$ 225,559	\$ 268,326	\$ 209,700	\$ 71,519	\$ 47,191	\$ 84,974
Contributions	-	-	-	-	-	-	-	-	202,000	-
Interest and fiscal charges	(433,707)	(351,692)	(189,207)	(158,243)	(105,674)	(204,098)	(183,714)	(169,734)	(152,261)	(122,884)
Claims and judgments	-	-	(188,500)	-	-	-	-	-	-	-
Gain (loss) on disposal of capital assets	(2,990)	-	-	(23,516)	(63,563)	-	96,612	(11,252)	(10,735)	-
Total nonoperating revenues (expenses)	\$ (279,653)	\$ (252,914)	\$ (283,370)	\$ (59,212)	\$ 56,322	\$ 64,228	\$ 122,598	\$ (109,467)	\$ 86,195	\$ (37,910)
<b>Other revenues (expenses)</b>										
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,463,509	\$ 75,491
Special item	-	-	-	-	-	325,000	-	-	-	-
Total nonoperating revenues (expenses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 325,000	\$ -	\$ -	\$ 3,463,509	\$ 75,491

(1) Accrual basis of accounting.

***Tri-Cities North Regional Wastewater Authority***

**Three Largest Customers**

**Last Ten Years**

<u>Year</u>	<u>City of Vandalia</u>	<u>City of Huber Heights</u>	<u>City of Tipp City</u>	<u>Total charges for services</u>
2002	\$ 883,732	\$ 1,727,497	\$ 542,279	\$ 3,153,508
2003	855,781	1,693,093	607,113	3,155,987
2004	902,148	1,726,914	592,040	3,221,102
2005	890,996	1,749,299	610,360	3,250,655
2006	892,437	1,744,182	615,038	3,251,657
2007	939,720	1,649,226	638,341	3,227,287
2008	912,130	1,671,027	661,004	3,244,161
2009	897,612	1,700,948	663,083	3,261,643
2010	894,567	1,699,998	666,959	3,261,524
2011	877,851	1,757,480	647,198	3,282,529

**Source:** Tri-Cities financial records.

***Tri-Cities North Regional Wastewater Authority***

**Wastewater Treated**

**Last Ten Years**

<u>Year</u>	<u>Gallons of Wastewater Treated</u>	<u>Total Direct Sewer Rates (1)</u>
2002	3,370	\$ 1.05
2003	3,663	1.14
2004	3,230	1.01
2005	3,422	1.07
2006	3,507	1.09
2007	2,748	1.19
2008	2,901	0.91
2009	2,852	1.14
2010	2,852	1.14
2011	3,890	0.82

**Source:** Tri-Cities financial records.

(1) per 1,000 gallons.

***Tri-Cities North Regional Wastewater Authority***  
**Schedule of Participating Cities' Equity Interest**  
**Last Ten Years**

<u>Year</u>	<u>City of Vandalia</u>	<u>City of Huber Heights</u>	<u>City of Tipp City</u>	<u>Total</u>
2002	27.58%	53.92%	18.50%	100.00%
2003	26.71	52.84	20.45	100.00
2004	27.55	52.96	19.49	100.00
2005	27.22	53.45	19.33	100.00
2006	27.20	53.90	18.90	100.00
2007	29.12	51.10	19.78	100.00
2008	28.12	51.50	20.38	100.00
2009	27.52	52.15	20.33	100.00
2010	27.43	52.12	20.45	100.00
2011	26.74	53.54	19.72	100.00

**Source:** Tri-Cities financial records.

**Tri-Cities North Regional Wastewater Authority**

**Ratio of Outstanding Debt By Type**

**Last Ten Years**

<u>Year</u>	<u>OWDA Loans</u>	<u>Population (2)</u>	<u>Per Capita</u>	<u>Percentage of Personal Income (3)</u>
2002	\$ 9,203,894	62,510	\$ 147.24	0.65%
2003	8,433,705	62,510	134.92	0.59%
2004	7,747,118	62,510	123.93	0.54%
2005	8,852,970	62,510	141.62	0.62%
2006	8,520,354	62,510	136.30	0.59%
2007	8,493,573	62,510	135.88	0.59%
2008	8,504,483	62,510	136.05	0.59%
2009	7,781,353	62,510	124.48	0.54%
2010	7,038,959	62,510	112.61	0.49%
2011	6,462,449	62,510	103.38	0.45%

**Source:** Tri-Cities financial records.

(1) Details regarding the Tri-Cities outstanding debt can be found in Note 5 in the current financial statements.

(2) Population total of all member cities.

(3) Percentage of personal income of all member cities.

**Tri-Cities North Regional Wastewater Authority**

**Debt Service Coverage**

**Last Ten Years**

Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	<u>Debt Service Requirements</u>			Coverage
				Principal	Interest	Total	
2002	\$ 3,255,091	\$ 1,472,910	\$ 1,782,181	\$ 913,532	\$ 469,823	\$ 1,383,355	\$ 1.29
2003	3,356,258	1,495,054	1,861,204	1,282,898	399,147	1,682,045	1.11
2004	3,346,293	1,574,501	1,771,792	1,377,841	241,283	1,619,124	1.09
2005	3,365,570	1,558,661	1,806,909	1,823,701	258,740	2,082,441	0.87
2006	3,360,790	1,695,889	1,664,901	335,851	105,674	441,525	3.77
2007	3,398,780	2,060,772	1,338,008	693,045	204,098	897,143	1.49
2008	3,477,410	1,835,939	1,641,471	698,913	183,714	882,627	1.86
2009	3,408,349	1,994,543	1,413,806	757,570	169,734	927,304	1.52
2010	3,416,561	1,916,426	1,500,135	775,043	152,261	927,304	1.62
2011	3,462,877	2,529,540	933,337	607,368	122,884	730,252	1.28

**Source:** Tri-Cities financial records.

(1) Gross revenues exclusive of interest income, gain (loss) on sale of capital assets and special items.

(2) Total operating expenses exclusive of depreciation.

**Tri-Cities North Regional Wastewater Authority**  
**Demographic and Economic Statistics of Participating Cities**  
**Last Ten Years**

Year	City of Vandalia		City of Huber Heights	City of Tipp City	Total Population	Montgomery County Unemployment Rate (2)	City of Vandalia		City of Huber Heights		City of Tipp City	
	Vandalia	Huber Heights					Tipp City	Total Personal Income (3)	Personal Income Per Capita (1)	Total Personal Income (3)	Personal Income Per Capita (1)	Total Personal Income (3)
2002	14,603	38,686	9,221	62,510	4.7%	\$ 353,377,997	\$ 24,199	\$ 810,510,386	\$ 20,951	\$ 261,175,604	\$ 28,324	
2003	14,603	38,686	9,221	62,510	5.3%	353,377,997	24,199	810,510,386	20,951	272,148,594	29,514	
2004	14,603	38,686	9,221	62,510	5.8%	353,377,997	24,199	810,510,386	20,951	280,419,831	30,411	
2005	14,603	38,686	9,221	62,510	5.5%	353,377,997	24,199	810,510,386	20,951	282,577,545	30,645	
2006	14,603	38,686	9,221	62,510	5.9%	353,377,997	24,199	810,510,386	20,951	282,577,545	30,645	
2007	14,603	38,686	9,221	62,510	6.2%	353,377,997	24,199	810,510,386	20,951	282,577,545	30,645	
2008	14,603	38,686	9,221	62,510	8.5%	353,377,997	24,199	810,510,386	20,951	282,577,545	30,645	
2009	14,603	38,686	9,221	62,510	13.3%	353,377,997	24,199	810,510,386	20,951	282,577,545	30,645	
2010	14,603	38,686	9,221	62,510	10.1%	353,377,997	24,199	810,510,386	20,951	282,577,545	30,645	
2011	14,603	38,686	9,221	62,510	8.5%	353,377,997	24,199	810,510,386	20,951	282,577,545	30,645	

**Sources:** (1) U.S. Bureau of Census, Census of Population.

(2) U.S. Department of Labor.

(3) Computation of per capita personal income multiplied by population

(4) Personal income is a calculation based on the County's Per Capita Income, which is the only information available for this City.



# Tri-Cities North Regional Wastewater Authority

## Principal Employers of Tri-Cities Participating Cities

As of December 31, 2006 and 2011 (1)

Participating city:	2011			2006		
	Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
<u>Vandalia</u>						
CBS Personnel Services	827	1	6.92%	-	-	0.00%
Vandalia-Butler City Schools	608	2	5.09%	402	3	4.61%
City of Vandalia	494	3	4.13%	522	2	5.99%
GE Aviation Systems	474	4	3.96%	320	4	3.67%
Delphi Automotive Systems	277	5	2.32%	550	1	6.31%
SAIA Burgess, Inc.	272	6	2.28%	304	5	3.49%
Leis Medical, Inc.	263	7	2.20%	202	8	2.32%
Kroger Limited Partnership	216	8	1.81%	-	-	0.00%
Projects Unlimited	206	9	1.72%	-	-	0.00%
Beau Townsend Ford/Nissan	194	10	1.62%	175	9	2.01%
P&G Pet Care (Formerly Iams Co.)	-	-	0.00%	234	7	2.69%
Evenflo Corporation	-	-	0.00%	163	10	1.87%
Lion Apparel, Inc.	-	-	0.00%	285	6	3.27%
Total for the City of Vandalia	<u>3,831</u>		<u>32.05%</u>	<u>3,157</u>		<u>36.23%</u>
<u>Huber Heights</u>						
Huber Heights City Schools	961	1	8.04%	567	2	6.51%
CBS Personnel	548	2	4.58%	-	-	0.00%
Trimble Navigation	462	3	3.86%	430	3	4.93%
ABF Freight Systems	428	4	3.58%	825	1	9.47%
Meijer Stores	411	5	3.44%	-	8	0.00%
Walmart Stores Incorporated	349	6	2.92%	243	5	2.79%
Fed Ex Freight	320	7	2.68%	324	4	3.72%
Krogers	305	8	2.55%	130	10	1.49%
Time Warner Cable	291	9	2.43%	-	-	0.00%
Kohl's	286	10	2.39%	-	-	0.00%
Coca Cola Enterprises, Inc.	-	-	0.00%	210	6	2.41%
City of Huber Heights	-	-	0.00%	185	7	2.12%
Lowe's Home Improvement	-	-	0.00%	150	9	1.72%
Bowser Mornor	-	-	0.00%	160	8	1.84%
Total for the City of Huber Heights	<u>4,361</u>		<u>36.47%</u>	<u>3,224</u>		<u>37.00%</u>
<u>Tipp City</u>						
Meijer, Inc.	1,247	1	10.43%	800	1	9.18%
Rostam Direct-Gardens Alive-Springhill	523	2	4.37%	100	9	1.15%
Tipp City Expempted Village School District	477	4	3.99%	290	3	3.33%
AO Smith Corporation	306	3	2.56%	330	2	3.79%
Menards	249	5	2.08%	-	-	0.00%
Adcare Health Systems	229	6	1.92%	-	-	0.00%
Creative Extruded Products	207	7	1.73%	245	4	2.81%
FHI LLC	195	8	1.63%	-	-	0.00%
Tip Top Canning	176	9	1.47%	-	-	0.00%
Arbogast	155	10	1.30%	120	6	1.38%
Springmeade Health Center	-	-	0.00%	147	5	1.69%
DAP Products, Inc.	-	-	0.00%	110	7	1.26%
Tipp Machine and Tool	-	-	0.00%	103	8	1.18%
Allen Foods	-	-	0.00%	88	10	1.01%
Total for the City of Tipp City	<u>3,764</u>		<u>31.48%</u>	<u>2,333</u>		<u>26.78%</u>
Grand total all three participating cities	11,956			8,714		

Source: Participating cities financial records.

(1) Current year and nine years ago will be reported as information becomes available.

**Tri-Cities North Regional Wastewater Authority**  
**Operating and Capital Indicators**  
**Last Ten Years**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b><u>Wastewater treatment</u></b>										
Miles of sewers	10	10	10	10	10	10	10	10	10	10
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Treatment capacity (MGD)	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2
Annual engineering maximum plant capacity (millions of gallons)	4,088	4,088	4,088	4,088	4,088	4,088	4,088	4,088	4,088	4,088
Amount treated annually (millions of gallons)	3,370	3,663	3,230	3,422	3,507	2,748	2,901	2,852	2,852	3,890
Unused capacity (millions of gallons)	718	425	858	666	581	1,340	1,187	1,236	1,236	198
Percentage of capacity utilized	82%	90%	79%	84%	86%	67%	71%	70%	70%	95%

Notes: MGD = millions of gallons per day.

***Tri-Cities North Regional Wastewater Authority***

**Miscellaneous Statistics**

**December 31, 2011**

General Information:

Year of Incorporation                    1996

Form of Government                    Joint Venture

Miscellaneous Statistics:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Number of Full Time Employees	1	1	1	1	1	1	1	1	1	1
Number of Part Time Employees	0	0	0	0	1	1	1	1	1	1
Miles of Sewer Line	10	10	10	10	10	10	10	10	10	10
Number of Manholes	112	112	112	112	112	112	112	112	112	112
Number of Siphons	1	1	1	1	1	1	1	1	1	1
Number of Pump Stations	1	1	1	1	1	1	1	1	1	1
Number of Booster Stations	1	1	1	1	1	1	1	1	1	1

**TRI-CITIES NORTH REGIONAL  
WASTEWATER AUTHORITY**

**Yellow Book Report**

**December 31, 2011**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the Tri-Cities North Regional Wastewater Authority, (the Authority) as of and for the year ended December 31, 2011, and have issued our report thereon dated April 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
April 25, 2012



# Dave Yost • Auditor of State

**TRI- CITIES NORTH REGIONAL WASTEWATER AUTHORITY**

**MONTGOMERY COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 14, 2012**