



Dave Yost • Auditor of State



**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Northwest Regional Water District  
Scioto County  
P.O. Box 156  
McDermott, Ohio 45652

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities of the Northwest Regional Water District, Scioto County, Ohio (the District), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Northwest Regional Water District, Scioto County, Ohio, as of December 31, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 20, 2013

# NORTHWEST REGIONAL WATER DISTRICT

## SCIOTO COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

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This discussion and analysis, along with the accompanying financial reports, of Northwest Regional Water District ("The District") is designed to provide our customers, creditors and other interested parties with a general overview of the District and its financial activities.

#### FINANCIAL HIGHLIGHTS

The total assets of the District exceeded total liabilities on December 31, 2012 by \$8.25 million and on December 31, 2011 by \$8.22 million. The District's net position increased by \$32 thousand (3.9%) in 2012 and by \$23 thousand (2.9%) in 2011.

The District's Operating Revenues increased in 2012 by \$9 thousand (less than 1%) and in 2011 they decreased by \$34 thousand (1.4%). Operating and Maintenance Expenses (excluding depreciation expense) decreased \$74 thousand (3.7%) in 2012 and in 2011 (excluding depreciation expense) increased \$136 thousand (7.3%). Depreciation expense decreased \$6 thousand (1.7%) in 2012 and increased in 2011 by \$20 thousand (5.7%).

#### OVERVIEW OF BASIC FINANCIAL STATEMENTS

The District is a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the accrual basis of accounting.

The **Statements of Net Position** include all of the District's Assets and Liabilities. These statements provide information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. The District's net position are the difference between assets and liabilities.

The **Statements of Revenues, Expenses and Changes in Net Position** provide information on the District's operations over the past year and the success of recovering all its costs through user fees, charges, assessments, and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statements of Cash Flows** provide information about the District's cash receipts and cash disbursements. They summarize the net changes in cash resulting from operating, investing and financing activities.

# NORTHWEST REGIONAL WATER DISTRICT

## SCIOTO COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

#### STATEMENTS OF NET POSITION

Table 1 summarizes the Statements of Net Position of the District. Capital Assets are reported less accumulated depreciation. "Invested in Capital Assets, Net of Related Debt", are Capital Assets less accumulated depreciation and outstanding debt that was used to acquire those assets.

Table 1

	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>2010</u>	<u>Change</u>
Current and Other Assets	\$ 1,629,143	\$ 1,565,116	\$ 64,027	\$ 1,630,759	\$ (65,643)
Capital Assets, Net	8,813,489	9,029,941	(216,452)	9,001,570	28,371
<b>Total Assets</b>	<u>10,442,632</u>	<u>10,595,057</u>	<u>(152,425)</u>	<u>10,632,329</u>	<u>\$ (37,272)</u>
Long Term Liabilities	1,892,692	2,086,914	(194,222)	2,100,113	(13,199)
Other Liabilities	300,152	290,518	9,634	338,051	\$ (47,533)
<b>Total Liabilities</b>	<u>2,192,844</u>	<u>2,377,432</u>	<u>(184,588)</u>	<u>2,438,164</u>	<u>(60,732)</u>
Net Position					
Invested in Capital Assets, Net of Related Debt	6,822,435	6,847,380	(24,945)	6,723,144	124,236
Unrestricted	1,427,353	1,370,245	57,108	1,471,021	(100,776)
<b>Total Net Position</b>	<u>\$ 8,249,788</u>	<u>\$ 8,217,625</u>	<u>\$ 32,163</u>	<u>\$ 8,194,165</u>	<u>\$ 23,460</u>

The District's Net Position increased by \$32 thousand (3.9%) in 2012 and \$23 thousand (2.9%) in 2011. This increase is a result of excess revenues over expenses.

Unrestricted net assets increased by \$57 thousand in 2012 and decreased \$101 thousand in 2011. Unrestricted assets may be used without constraints established by bond covenants or other legal requirements. Cash and Cash equivalents increased \$75 thousand in 2012 and decreased by \$31 thousand in 2011 which is primarily due to increases in operating revenue in 2012, and increased salaries, wages and benefits in 2011.



# NORTHWEST REGIONAL WATER DISTRICT

## SCIOTO COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

#### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Table 2 below summarizes the changes in Revenues, Expenses and Net Assets.

Table 2	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>2010</u>	<u>Change</u>
Operating Revenues	\$2,308,126	\$2,299,327	\$8,799	\$2,333,086	(33,759)
<b>Total Operating Revenues</b>	<u>2,308,126</u>	<u>2,299,327</u>	<u>8,799</u>	<u>2,333,086</u>	<u>(33,759)</u>
Operating Expenses					
(Excluding Depreciation)	1,920,725	1,994,856	(74,131)	1,859,230	135,626
Depreciation Expense	357,808	360,668	(2,860)	343,898	16,770
<b>Total Operating Expenses</b>	<u>2,278,533</u>	<u>2,355,524</u>	<u>(76,991)</u>	<u>2,203,128</u>	<u>152,396</u>
Operating Income	29,593	(56,197)	85,790	129,958	(186,155)
Non-Operating Revenues	78,405	160,758	(82,353)	20,033	140,725
Non-Operating Expenses	<u>75,835</u>	<u>81,101</u>	<u>(5,266)</u>	<u>81,604</u>	<u>(503)</u>
<b>Changes in Position</b>	32,163	23,460	8,703	68,387	(44,927)
<b>Net Position at Beginning of Year</b>	<u>8,217,625</u>	<u>8,194,165</u>	<u>23,460</u>	<u>8,125,778</u>	<u>68,387</u>
<b>Net Position end of Year</b>	<u><u>\$8,249,788</u></u>	<u><u>\$8,217,625</u></u>	<u><u>32,163</u></u>	<u><u>\$8,194,165</u></u>	<u><u>23,460</u></u>

Operating revenues increased \$9 thousand in 2012 due to slight increase in water usage and decreased by \$34 thousand in 2011 due to decrease in water usage.

Operating expenses decreased about \$77 thousand in 2012 primarily due to an increase in water purchases and insurance.

Non-Operating revenues decreased by \$82 thousand in 2012 due to a decrease in governmental grants. Non-Operating expenses decreased by \$5 thousand in 2012 because of the decrease in long term debt and drops in interest rates on long term debt.

# NORTHWEST REGIONAL WATER DISTRICT

## SCIOTO COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

#### CAPITAL ASSETS

The District had \$15.3 million invested in Capital Assets (before depreciation) at the end of 2012 and \$15.2 million at the end of 2011, an increase of \$100 thousand (less than 1%) in 2012 and an increase of \$400 thousand (2.6%) in 2011. This increases are due to continued updates to the Water District's infrastructure.

<b>Table 3</b>	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>2010</u>	<u>Change</u>
Non-Depreciable Capital Assets					
Land	\$120,754	\$120,754	\$0	\$120,754	\$0
Constructions in progress	<u>0</u>	<u>3,327</u>	<u>3,327</u>	<u>340,926</u>	<u>(337,599)</u>
Total Non-Depreciable Capital Assets	120,754	124,081	(3,327)	461,680	(337,599)
Depreciable Capital Assets					
Utility plant - lines	11,828,467	11,759,167	69,300	11,224,174	534,993
Utility plant - towers	1,495,157	1,495,157	0	1,326,919	168,238
Utility plant - meters	331,942	325,646	6,296	320,902	4,744
Utility plant - office and garage	256,613	256,613	0	256,613	0
Office equipment and furniture	117,875	104,049	13,826	104,049	0
Radio telemetry system	311,349	295,790	15,559	295,790	0
Trucks and equipment	<u>867,365</u>	<u>827,663</u>	<u>39,702</u>	<u>809,000</u>	<u>18,663</u>
Totals Before Accumulated Depreciation	15,208,768	15,064,085	144,683	14,337,447	726,638
Accumulated Depreciation	<u>(6,516,033)</u>	<u>(6,158,225)</u>	<u>(357,808)</u>	<u>(5,797,557)</u>	<u>(360,668)</u>
Net Depreciable Capital Assets	<u>8,692,735</u>	<u>8,905,860</u>	<u>(213,125)</u>	<u>8,539,890</u>	<u>365,970</u>
<b>Total Capital Assets</b>	<u><u>\$8,813,489</u></u>	<u><u>\$9,029,941</u></u>	<u><u>(\$216,452)</u></u>	<u><u>\$9,001,570</u></u>	<u><u>28,371</u></u>

For additional information regarding capital assets please see Note C to the Basic Financial Statements.

# NORTHWEST REGIONAL WATER DISTRICT

## SCIOTO COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

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#### DEBT

At December 31, 2012 total debt outstanding of \$1,991,054 compared to \$2,278,426 at December 31, 2010. Ohio Publics Work Commission debt was issued in 2011 for water line extensions.

<b>Table 4</b>	<b>2012</b>	<b>2011</b>	<b>Change</b>	<b>2010</b>	<b>Change</b>
Ohio Public Works					
Commission (OPWC)	\$324,691	\$359,941	(\$35,250)	\$305,436	\$54,505
Ohio Water Development					
Authority (OWDA)	1,666,363	1,822,620	(156,257)	1,972,990	(150,370)
<b>Total Long Term Debt</b>	<b>1,991,054</b>	<b>2,182,561</b>	<b>(191,507)</b>	<b>2,278,426</b>	<b>(95,865)</b>
Less: Current Maturities	98,362	95,647	2,715	178,313	82,666
<b>Net Total Long Term Debt</b>	<b>\$1,892,692</b>	<b>\$2,086,914</b>	<b>(\$194,222)</b>	<b>\$2,100,113</b>	<b>(\$13,199)</b>

The District's debt is paid from operating revenues generated by the Water District. For additional information regarding debt please see Note E to the Basic Financial Statements.

#### CASH

Cash and cash equivalents were \$1,235,534 on December 31, 2012 and \$1,160,926 on December 31, 2011.

#### CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to Patti Slye, Office Manager, Northwest Regional Water District, P.O. Box 158, McDermott, Ohio 45652 or (740) 259-2789.

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**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2012 AND 2011

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,235,534	\$ 1,160,926
Accounts receivable, net allowance for doubtful accounts	373,837	379,596
Prepaid expenses	19,772	24,594
<b>TOTAL CURRENT ASSETS</b>	<b>1,629,143</b>	<b>1,565,116</b>
<b>NONCURRENT ASSETS</b>		
Capital Assets:		
Non-depreciable capital assets	120,754	124,081
Depreciable capital assets, net	8,692,735	8,905,860
<b>TOTAL NONCURRENT ASSETS</b>	<b>8,813,489</b>	<b>9,029,941</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
TOTAL DEFERRED OUTFLOWS OF RESOURCES	0	0
 <b>TOTAL ASSETS and DEFERRED OUTFLOWS OF RESOURCES</b>	 <b>\$ 10,442,632</b>	 <b>\$ 10,595,057</b>
 <b>LIABILITIES</b>		
	<b>2012</b>	<b>2011</b>
<b>CURRENT LIABILITIES</b>		
Notes payable - current portion	\$ 98,362	\$ 95,647
Accounts Payable	78,774	82,937
Accrued Expenses	123,016	111,934
<b>TOTAL CURRENT LIABILITIES</b>	<b>300,152</b>	<b>290,518</b>
<b>LONG-TERM LIABILITIES</b>		
Notes payable - less current portion	1,892,692	2,086,914
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>1,892,692</b>	<b>2,086,914</b>
 <b>TOTAL LIABILITIES</b>	 <b>2,192,844</b>	 <b>2,377,432</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
TOTAL DEFERRED INFLOWS OF RESOURCES	0	0
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	6,822,435	6,847,380
Unrestricted	1,427,353	1,370,245
<b>TOTAL NET POSITION</b>	<b>8,249,788</b>	<b>8,217,625</b>
 <b>TOTAL LIABILITIES AND NET POSITION</b>	 <b>\$ 10,442,632</b>	 <b>\$ 10,595,057</b>

See accompanying notes to the financial statements

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended December 31, 2012 and 2011

	<b>2012</b>	<b>2011</b>
<b>OPERATING REVENUES</b>		
Water	\$ 2,189,973	\$ 2,154,687
Tap fees	20,350	37,000
Service charges	22,830	23,100
Late charges	66,458	67,257
Contract work	8,515	17,283
TOTAL OPERATING REVENUES	2,308,126	2,299,327
<b>OPERATING EXPENSE</b>		
Salaries, wages and benefits	758,478	811,011
Utilities	151,931	150,975
Depreciation expense	357,808	360,668
Purchased water	572,806	602,266
Telemetry	24,528	26,128
Maintenance	97,361	78,069
Truck and equipment expense	82,112	74,302
Billing expense	23,651	22,083
Pension expense	134,532	122,412
Payroll taxes	7,556	7,408
Insurance	33,784	66,995
Office supplies and postage	22,131	21,565
Legal and accounting fees	569	7,132
Travel and auto expense	1,719	1,845
Other expenses	9,567	2,665
TOTAL OPERATING EXPENSES	2,278,533	2,355,524
Operating Income	\$ 29,593	\$ (56,197)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Gain/ (Loss) on Investments	13,790	6,703
Intergovernmental	64,345	150,756
Sale of Capital Assets	0	0
Other Income	270	3,299
Interest expense	(75,835)	(81,101)
Net other income (expense)	2,570	79,657
CHANGES IN NET POSITION	32,163	23,460
NET POSITION, BEGINNING OF YEAR	8,217,625	8,194,165
NET POSITION, END OF YEAR	\$ 8,249,788	\$ 8,217,625
See accompanying notes to the financial statements		

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2012 and 2011

	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 2,305,370	\$ 2,309,568
Cash received from other income	8,515	17,283
Cash payments to suppliers for goods and services	(1,017,400)	(1,003,541)
Cash payments for employee services and benefits	(891,584)	(949,429)
Net cash provided by operating activities	404,901	373,881
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payments - OPWC loans	(35,250)	(32,339)
Principal payments - OWDA loans	(156,257)	(150,370)
Proceeds from notes payable - OPWC	0	86,844
Proceeds from notes payable - OWDA	0	0
Interest payments - OWDA loans	(75,835)	(81,101)
Grants Received	64,345	150,756
Acquisition of Capital Assets	(141,356)	(389,039)
Net cash used for capital and related financing activities	(344,353)	(415,249)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on cash and investments	270	3,299
Other	13,790	6,703
	14,060	10,002
Net increase/(decrease) in cash and cash equivalents	74,608	(31,366)
Cash and cash equivalents, beginning of year	1,160,926	1,192,292
Cash and cash equivalents, end of year	\$ 1,235,534	\$ 1,160,926

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

STATEMENT OF CASH FLOWS - Continued

For the Years Ended December 31, 2012 and 2011

	<b>2012</b>	<b>2011</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 29,593	\$ (56,197)
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation	357,808	360,668
<b>Changes in assets and liabilities:</b>		
(Increase)/Decrease in accounts receivable	5,759	27,524
(Increase)/Decrease in prepaids	4,822	6,753
Increase/(Decrease) in accounts payable	(4,163)	31,784
Increase/(Decrease) in accrued expenses	11,082	3,349
Total adjustments	375,308	430,078
Net cash provided by operating activities	\$ <u>404,901</u>	\$ <u>373,881</u>
See accompanying notes to the financial statements		



**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012 and 2011

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**NOTE A - NATURE OF ORGANIZATION**

Northwest Regional Water District (hereafter referred to as NRWD) was created by the Court of Common Pleas of Scioto County in August of 1966 in accordance with the provisions of Section 6119 et.seq of the Ohio Revised Code. The District operates under the direction of a twelve member board of trustees. An appointed staff consisting of an office manager and two clerks are responsible for fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the water district users, for industrial and business use, and for fire protection. The District serves all parts of the following political subdivisions:

Rush Township	Washington Township
Union Township	Franklin Township
Morgan Township	Jefferson Township
Rarden Village	Brushcreek Township
Otway Village	Camp Creek Township

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District 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. Pursuant to GASB Statement No. 20: *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the District follows GASB guidance as applicable to proprietary funds and Financial Accounting Statements Standards Board (FASB) Interpretations, Accounting Principles Board Opinions (APBO), and Accounting Research Bulletins issued on or after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

**1. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity," and as amended by GASB Statement No. 39. The financial statements include the fund for which the District is "accountable." Accountability as described in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the District and whether exclusion would cause the District's financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the District.

Based on the foregoing criteria, there were no PCU's for the years reported on in the financial statements in accordance with GASB Statement No. 14 or 39.

**2. Basis of Presentation - Fund Accounting**

The accounts of NRWD are organized on the basis of funds, each of which is considered a separate accounting entity. The District has created a single fund within that fund type. The fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. This fund accounts for the governmental resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

**NORTHWEST REGIONAL WATER DISTRICT**  
**SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2012 and 2011

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The fund type which NRWD uses is described below:

**Proprietary Fund Type** - This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the NRWD is the Enterprise Fund.

**Enterprise Fund** - This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**3. Basis of Accounting**

The accounting records are maintained on the accrual basis of accounting for financial reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Unbilled service charges receivable are recognized as revenue at year end. Expenses are recognized at the time they are incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the statement of net assets. This measurement focus emphasizes the determination of net income.

Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

**4. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually. The District adopted a budget and adopted and passed annual appropriation resolutions for the years ended December 31, 2012 and 2011.

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

**Estimated Resources** - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of the beginning of the year.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2012 and 2011

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**5. Cash and Cash Equivalents**

Cash balances of the District’s enterprise fund are presented as “Cash and Cash Equivalents” on the statement of net assets. Interest income earned by the District totaled \$13,790 and \$6,703, respectively, for the years ended December 31, 2012 and 2011.

During fiscal year 2012 and 2011, investments were limited to STAR Ohio, savings accounts and certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements, savings accounts and non-negotiable certificates of deposit are recorded at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal years 2012 and 2011. STAR Ohio is an investment pool managed by the State Treasurer’s office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price which is the price the investment could be sold for on December 31, 2012 and 2011.

The District also has invested funds with broker Morgan Stanley Smith Barney. The invested funds consist of a money fund, mutual funds and certificate of deposits.

For purposes of the statement of cash flows and for presentation on the statement of net assets, investments with an initial maturity of more than three months are reported as investments.

**6. Capital Assets**

Capital assets acquired or constructed for the general use of the District in providing service are recorded at cost. The District has a capitalization threshold of \$1,000. Donated assets are recorded at their estimated fair market value at the time received. Depreciation of capital assets of the District is calculated utilizing the straight-line method. All assets reported in the basic financial statements are at cost less accumulated depreciation. The estimated useful lives by major capital asset class are as follows:

Lines	50 years	Office/garage building	19 years
Tanks/towers/meters	50 years	Trucks and equipment	5-10 years
Radio telemetry system	25 years	Office equipment and furniture	5-10 years

**7. Compensated Absences**

Compensated absences of the District consist of vacation and sick time to the extent that payment to the employees for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and its employees.

In accordance with provisions of GASB Statement No. 16, “Accounting for Compensated Absences,” a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

Unused sick pay is recorded as a liability based on the Ohio Revised Code Section 124.38. Employees are entitled to 3.08 hours of sick leave for each completed 80 hours up to a maximum of 960 hours and are entitled to a lump sum payment of 1/2 of accumulated sick pay upon retirement or termination if they have more than ten years of service. At December 31, 2012 and 2011, the total vested liability for accumulated unpaid vacation, sick leave and compensatory time recorded was \$116,714 and \$107,732, respectively.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

NOTES TO THE FINANCIAL STATEMENTS - Continued

December 31, 2012 and 2011

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**8. Interest Expense**

Interest expense represents the interest portion on loan payments the Ohio Water Development Authority (OWDA).

**9. Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond December 31, 2012 and 2011, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are provided.

**10. Accounts Receivable**

Accounts receivable are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible. Increases to the allowance are recorded by a provision for bad debt expense. The allowance is maintained by management at a level considered adequate to cover possible losses that are currently anticipated based on past experience, general economic conditions, information about specific account situations, and other factors and estimates which are subject to change over time.

Management considers all accounts receivable to be collected in full and may periodically allocate portions of the allowance for specific problem accounts, with the whole allowance available for any debts that occur. An account is charged off by management as a loss when deemed uncollectible, although most delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Receivables are presented at net on the statement of net assets.

**11. Estimates**

The preparation of the financial statements in accordance 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.

**12. Balance Sheet Classifications**

The Water District is required to classify its balance sheet, detailing current and noncurrent assets, deferred outflows of resources, current and noncurrent liabilities and restricted and unrestricted net position, as follows:

- (1) Current: Due within one year from December 31, 2012
- (2) Noncurrent: Due after December 31, 2013
- (3) Restricted: Restricted for usage by bond and note covenants and grant restrictions
- (4) Unrestricted: Not restricted for usage

Within the Water District there only exist unrestricted net positions. Restricted net position would be used to cover eligible expenses before unrestricted net position would be used. The unrestricted net position may, upon Water District authorization, be used by the Water District for any lawful purpose.

**13. Long Term Obligations**

The District records fund obligations not expected to be paid within one year by available financial resources as long-term debt, which consists of OPWC notes and OWDA loans.

**NORTHWEST REGIONAL WATER DISTRICT**  
**SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2012 and 2011

**NOTE C – CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2011 was as follows:

	Ending Balance 12/31/10	Additions	Deletions	Ending Balance 12/31/11
Capital Assets, Not Being Depreciated				
Land	\$120,754	\$0	\$0	\$120,754
Construction in progress	340,926	3,327	(340,926)	3,327
<b>Total Capital Assets, Not Being Depreciated</b>	<b>461,680</b>	<b>3,327</b>	<b>(340,926)</b>	<b>124,081</b>
Capital Assets Being Depreciated				
Utility plant - lines	11,224,174	534,993	0	11,759,167
Utility plant - towers	1,326,919	168,238	0	1,495,157
Utility plant - meters	320,902	4,744	0	325,646
Utility plant - office and garage	256,613	0	0	256,613
Office equipment and furniture	104,049	0	0	104,049
Radio telemetry system	295,790	0	0	295,790
Trucks and equipment	809,000	18,663	0	827,663
<b>Total Capital Assets, Being Depreciated</b>	<b>14,337,447</b>	<b>726,638</b>	<b>0</b>	<b>15,064,085</b>
Less Accumulated Depreciation:				
Utility plant - lines	(4,150,911)	(234,547)	0	(4,385,458)
Utility plant - towers	(382,097)	(29,903)	0	(412,000)
Utility plant - meters	(196,148)	(9,696)	0	(205,844)
Utility plant - office and garage	(117,100)	(10,178)	0	(127,278)
Office equipment and furniture	(60,949)	(9,079)	0	(70,028)
Radio telemetry system	(279,377)	(7,995)	0	(287,372)
Trucks and equipment	(610,975)	(59,270)	0	(670,245)
<b>Total Accumulated Depreciation</b>	<b>(5,797,557)</b>	<b>(360,668)</b>	<b>0</b>	<b>(6,158,225)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>8,539,890</b>	<b>365,970</b>	<b>0</b>	<b>8,905,860</b>
<b>Total Capital Assets, Net</b>	<b>\$9,001,570</b>	<b>\$366,297</b>	<b>(\$340,926)</b>	<b>\$9,029,941</b>

**NORTHWEST REGIONAL WATER DISTRICT**  
**SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2012 and 2011

**NOTE C – CAPITAL ASSETS (CONT'D)**

Capital assets activity for the year ended December 31, 2012 was as follows:

	Ending Balance 12/31/11	Additions	Deletions	Ending Balance 12/31/12
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$120,754	\$0	\$0	\$120,754
Construction in progress	3,327	0	(3,327)	0
<b>Total Capital Assets, Not Being Depreciated</b>	<b>124,081</b>	<b>0</b>	<b>(3,327)</b>	<b>120,754</b>
<b>Capital Assets Being Depreciated</b>				
Utility plant - lines	11,759,167	69,300	0	11,828,467
Utility plant - towers	1,495,157	0	0	1,495,157
Utility plant - meters	325,646	6,296	0	331,942
Utility plant - office and garage	256,613	0	0	256,613
Office equipment and furniture	104,049	13,826	0	117,875
Radio telemetry system	295,790	15,559	0	311,349
Trucks and equipment	827,663	39,702	0	867,365
<b>Total Capital Assets, Being Depreciated</b>	<b>15,064,085</b>	<b>144,683</b>	<b>0</b>	<b>15,208,768</b>
<b>Less Accumulated Depreciation:</b>				
Utility plant - lines	(4,385,458)	(235,933)	0	(4,621,391)
Utility plant - towers	(412,000)	(29,903)	0	(441,903)
Utility plant - meters	(205,844)	(9,466)	0	(215,310)
Utility plant - office and garage	(127,278)	(10,178)	0	(137,456)
Office equipment and furniture	(70,028)	(7,123)	0	(77,151)
Radio telemetry system	(287,372)	(3,405)	0	(290,777)
Trucks and equipment	(670,245)	(61,800)	0	(732,045)
<b>Total Accumulated Depreciation</b>	<b>(6,158,225)</b>	<b>(357,808)</b>	<b>0</b>	<b>(6,516,033)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>8,905,860</b>	<b>(213,125)</b>	<b>0</b>	<b>8,692,735</b>
<b>Total Capital Assets, Net</b>	<b>\$9,029,941</b>	<b>(\$213,125)</b>	<b>(\$3,327)</b>	<b>\$8,813,489</b>

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2012 and 2011

**NOTE D – DEBT**

The District has the following notes payable at December 31, 2012 and 2011:

	2012	2011
0% note payable OPWC, payable in semi-annual installments of \$2,569, due in 2014, secured by property and equipment	\$5,138	\$10,274
0% note payable OPWC, payable in semi-annual installments of \$2,171, due in 2032, secured by property and equipment	80,331	84,673
0% note payable OPWC, payable in semi-annual installments of \$10,707, due in 2022, secured by property and equipment	192,718	214,131
7.56% note payable OWDA, payable in semi-annual installments of \$14,139, including interest at 7.56%, due in 2017, secured by property and equipment	146,477	176,894
2% note payable OWDA, payable in semi-annual installments of \$37,050 due in 2018, secured by property and equipment	401,218	476,800
6.39% note payable OWDA, payable in semi-annual installments of \$7,516 due in 2026, secured by property and equipment	337,568	353,832
2.86% note payable OWDA, payable in semi-annual installments of \$3,532 due in 2028, secured by property and equipment	137,849	145,116
4.14% note payable OWDA, payable in semi-annual installments of \$12,568 due in 2029, secured by property and equipment	643,251	669,978
0% note payable OPWC, payable in semi-annual installments of \$922 due in 2023, secured by property and equipment	19,357	21,200
0% note payable OPWC, payable in semi-annual installments of \$705 due in 2025, secured by property and equipment	18,319	19,728
0% note payable OPWC, payable in semi-annual installments of \$368 due in 2025, secured by property and equipment	8,828	9,935
	1,991,054	2,182,561
Less current maturities	(98,362)	(95,647)
Total long-term debt	\$1,892,692	\$ 2,086,914

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2012 and 2011

**NOTE E – DEBT - Continued**

The annual requirements to amortize all bonded debt outstanding as of December 31, 2012 are as follows:

		Principal		Interest		Total
2013	\$	98,362	\$	35,621	\$	133,982
2014		198,009		67,387		265,396
2015		202,132		60,695		262,827
2016		209,181		53,647		262,827
2017		194,724		46,209		240,933
2018-2022		537,645		163,806		701,452
2023-2027		425,032		68,247		493,279
2028-2032		125,969		5,465		131,434
Total	\$	1,991,054	\$	501,076	\$	2,492,130

Long-term debt additions and reductions for the years ended December 31, 2012 and 2011 are as follows:

	Balance <u>12/31/2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2011</u>	Due within <u>One Year</u>
O.W.D.A	\$ 1,972,990	\$ 0	\$ 150,370	\$ 1,822,620	\$ 77,838
O.P.W.C.	305,436	86,844	32,339	359,941	17,809
	<u>\$ 2,278,426</u>	<u>\$ 86,844</u>	<u>\$ 182,709</u>	<u>\$ 2,182,561</u>	<u>\$ 95,647</u>

	Balance <u>12/31/2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2012</u>	Due within <u>One Year</u>
O.W.D.A	\$ 1,822,620		\$ 156,257	\$ 1,666,363	\$ 80,921
O.P.W.C.	359,941		35,250	324,691	\$ 17,441
	<u>\$ 2,182,561</u>	<u>\$ -</u>	<u>\$ 191,507</u>	<u>\$ 1,991,054</u>	<u>\$ 98,362</u>

**NOTE F – DEPOSITS AND INVESTMENTS**

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

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



**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2012 and 2011

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**NOTE F – DEPOSITS AND INVESTMENTS - Continued**

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. 3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) and (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio;
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2012 and 2011

**NOTE F – DEPOSITS AND INVESTMENTS - Continued**

obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Cash on Hand** At year end, the District has \$450 in undeposited cash on hand which is included on the statement of net assets of the District as part of “cash and cash equivalents”.

**Deposits** Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District’s policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. December 31, 2012 and 2011, the carrying amount of the District’s deposits was \$753,826 and \$690,284, respectively. The bank balance of the District’s deposits at December 31, 2012 and 2011 was \$810,429 and \$729,051, respectively. Of the bank balances at December 31, 2012 and 2011, \$810,429 and \$729,051 were covered by federal depository insurance, respectively.

Investments are reported at fair value. As of December 31, 2012, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
<b>STAR Ohio</b>	\$88,967	30 Days
<b>Morgan Stanley</b>	392,740	Various
<b>Total</b>	<u>\$481,707</u>	

As of December 31, 2011, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
<b>STAR Ohio</b>	\$88,900	30 Days
<b>Morgan Stanley</b>	381,742	Various
<b>Total</b>	<u>\$470,642</u>	

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2012 and 2011

**NOTE F – DEPOSITS AND INVESTMENTS - Continued**

Interest Rate Risk: Interest Rate Risk is the risk that changes in the interest rate will adversely affect the fair value on an investment. The District does not have an investment policy.

Credit Risk STAR Ohio carries a rating of AAA by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District’s repurchase agreements are unrated.

Morgan Stanley Smith Barney invests in various funds such as mutual funds, money funds and certificate of deposits. Mutual funds and money funds are not insured or guaranteed by the federal government. Certificate of Deposits are insured up to \$250,000 per account owner per institution.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The following is the District’s allocation as of December 31, 2012 and 2011:

<u>Year</u>	<u>Investment Issuer</u>	<u>Percentage of Investments</u>
2012	STAROhio	18%
2012	Morgan Stanley	82%
2011	STAROhio	19%
2011	Morgan Stanley	81%

Custodial Credit Risk: Custodial Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s investment in the repurchase agreement are exposed to custodial credit risk is that they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the District’s name.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2012 and 2011

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**NOTE G – DEFINED BENEFIT RETIREMENT PLAN**

All employees of the Water District participate in the Ohio Public Employees Retirement System (OPERS), A cost-sharing multiple-employer public employee retirement system that administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; 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. The total payroll as well as the payroll for employees covered by OPERS for the years ended December 31, 2012, 2011 and 2010 were approximately \$479,000, \$470,000, and \$454,000, respectively. In 2012, the employee and employer contributions were 10% and 14%, respectively, for all Water District employees. Total required employer contributions were approximately, \$67,000, \$66,000, and \$64,000 for the years ending December 31, 2012, 2011 and 2010, respectively, and are equal to 100% of the dollar amount billed to, and paid by, the Water District.

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

The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222-PERS.

**Postretirement Healthcare**

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 benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB State 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pension*.

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

The Ohio Revised Code provides statutory authority for employer contributions and requires public employers to fund postretirement 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.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to healthcare was 4.00% for 2012. The Water District's 2012, 2011 and 2010 employer contributions made to fund post-employment benefits were \$19,160, \$18,800, and \$18,160,. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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 as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2012 and 2011

**NOTE H – CONTINGENT LIABILITIES**

There were no contingent liabilities as of December 31, 2012.

**NOTE I – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2011, the District contracted with Riffe-Dyer Insurance for real property, building contents, and vehicle insurance coverage. For fiscal year 2012, the District contracted with Kinder’s Insurance Agency for real property, building contents, and vehicle insurance coverage.

The District has not had any significant reductions in insurance coverage from coverage in prior years by major category of risk. Settled claims resulting from the above risks have not exceeded commercial insurance coverage in any of the past three years.

**NOTE J – CHANGE IN ACCOUNTING PRINCIPLES**

For the fiscal year 2011 and 2012, the Water District implemented the provisions of Governmental Accounting Standards Board (GASB) State No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which became effective for the Water District, with fiscal years beginning after December 15, 2011 with early implementation allowed. GASB Statement No. 63 provides financial reporting guidance to the Water District for deferred outflows of resources and deferred inflows of resources. The statement also identifies net position as the residual of all other elements presented in a balance sheet, amending the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of the balance sheet and by renaming that measure as net position. The implementation of GASB Statement 63 did not require the Water District to restate any prior year balances.

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**NOTE K – RESTATEMENT OF NET POSITION**

Beginning net position for 2011 was restated due to debt principal differences.

**NOTE L - ACCOUNTS RECEIVABLE**

Accounts receivables are presented at net realizable value and consist of amounts due from customers for sewer fees for services rendered and contract amounts billed. Uncollectible accounts receivable are charged to operations during the period they are determined to be uncollectible. Uncollectible water account balances are certified to the County Auditor after administrative collection efforts have been exhausted. The balance at year end, including billed and unbilled accounts, are due as follows:

	2012	2011
Accounts receivable, net allowance for doubtful accounts	\$373,837	\$379,596

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Northwest Regional Water District  
Scioto County  
P.O. Box 156  
McDermott, Ohio 45652

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the Northwest Regional Water District, Scioto County, Ohio (the District), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 20, 2013.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 20, 2013



**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-01	Ohio Rev. Code Section 5705.41(D)(1) - Not certifying the availability of funds prior to obligation.	No	Finding no longer valid.

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# Dave Yost • Auditor of State

**NORTHWEST REGIONAL WATER DISTRICT**

**SCIOTO COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 15, 2013**