



Dave Yost • Auditor of State



**ADAMS COUNTY REGIONAL WATER DISTRICT  
ADAMS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Adams County Regional Water District  
Adams County  
9203 State Route 136  
West Union, Ohio 45693

To the Board of Trustees:

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

We have audited the accompanying financial statements of the Adams County Regional Water District, Adams County, Ohio (the District), as of and for the years ended December 31, 2013 and 2012, 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 Adams County Regional Water District, Adams County, Ohio, as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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**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.

*Supplementary Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole. The Budgetary Comparison Schedule presents additional analysis and is not a required part of the basic financial statements.

We did not subject the Budgetary Comparison Schedule to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2014, 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

May 15, 2014

# Adams County Regional Water District

## Management's Discussion and Analysis

The following discussion provides a summary overview of the financial activities of the Adams County Regional Water District ("the District") for the year ended December 31, 2013. The information should be read in conjunction with the basic financial statements included in this report.

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

### Financial Highlights

- Assets exceeded liabilities by \$7,465,849 and \$6,417,065 as of December 31, 2013 and 2012 respectively.
- Net position increased by \$1,048,784 and decreased by \$138,342 in 2013 and 2012 respectively.
- Operating revenues increased by \$230,945 (6.23%) and by \$187,663 (5.33%) and operating and maintenance expenses decreased by \$123,602 (3.61%) and increased by \$165,502 (5.08%) in 2013 and 2012 respectively.
- Retirement of debt principal totaled \$687,883 and \$787,788 for 2013 and 2012 respectively and additions to debt principal totaled \$124,287 for 2013 and \$0- for 2012.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows and the accompanying notes to the financial statements. These statements report information about the District as a whole and about its activities. The District is a single enterprise fund using proprietary fund accounting, which means these statements are presented in a manner similar to a private-sector business. The statements are presented using the economic resources measurement focus and the accrual basis of accounting.

The Statements of Net Position presents the District's financial position and reports the resources owned by the District (assets), obligations owed by the District (liabilities) and District net position (the difference between assets and liabilities). They provide a way to measure the financial health of the District by providing the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

# Adams County Regional Water District

## Management's Discussion and Analysis (Continued)

### Overview of the Financial Statements (Continued)

The Statements of Revenues, Expenses and Changes in Net Position present a summary of how the District's net position changed during the year. Revenue is reported when earned and expenses are reported when incurred. These statements measure the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through user fees.

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

The notes to the financial statements provide additional information that is essential for a full understanding of the financial statements.

### Financial Analysis of the District's Financial Position and Results of Operations

The tables below provide a summary of the District's financial position and operations for 2013, 2012, and 2011 respectively.

**Table 1**  
**Condensed Statement of Net Position**  
**December 31,**

	2013	2012	2011
<u>Assets</u>			
Current & other assets	\$ 5,156,349	\$ 4,709,292	\$ 4,859,825
Capital assets, net	14,334,609	14,277,828	15,107,132
<b>Total assets</b>	<b>19,490,958</b>	<b>18,987,120</b>	<b>19,966,957</b>
<u>Liabilities</u>			
Current liabilities	1,279,889	1,220,641	1,251,053
Long-term debt	10,745,220	11,349,414	12,160,497
<b>Total liabilities</b>	<b>12,025,109</b>	<b>12,570,055</b>	<b>13,411,550</b>
<u>Net Position</u>			
Invested in capital assets, net of related debt	2,607,326	1,988,209	2,007,714
Restricted for debt service	219,140	218,900	237,465
Unrestricted	4,639,383	4,209,956	4,310,228
<b>Total net position</b>	<b>\$ 7,465,849</b>	<b>\$ 6,417,065</b>	<b>\$ 6,555,407</b>

# Adams County Regional Water District

## Management's Discussion and Analysis (Continued)

### Financial Analysis of the District's Financial Position and Results of Operations

As noted earlier, the net position may serve as a useful indicator of financial position. The District's assets exceeded liabilities by \$7,465,849 as of December 31, 2013, of which \$2,607,326 is for net investment in capital assets; compared to an excess of \$6,417,065 as of December 31, 2012.

The largest portion of the District's net position is reflected in its cash and certificates of deposit, and its capital assets, less accumulated depreciation and related debt outstanding. The District strives to keep adequate cash reserves on hand in order to maintain or expand its facilities to meet the needs of its customers and to comply with regulatory requirement.

For the year ended December 31, 2013 and 2012 respectively, total assets of the District increased by \$503,838 and decreased by \$979,837 due to additional construction, early retirement of debt, and depreciation of capital assets. Total liabilities as of December 31, 2013 and 2012 decreased by \$544,946 and \$841,495 respectfully due mainly to retirement of debt.

The following table summarizes the changes in revenues and expenses for the District between 2013, 2012, and 2011:

**Table 2**  
**Condensed Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended December 31,**

	2013	2012	2011
<u>Operating revenue</u>			
Sales to customers	\$ 2,989,270	\$ 2,780,097	\$ 2,626,687
Sales to public authorities	798,897	788,450	763,699
Other revenues	148,747	137,422	127,920
<b>Total operating revenue</b>	<b>3,936,914</b>	<b>3,705,969</b>	<b>3,518,306</b>
<u>Non operating revenue</u>			
Tap fee revenue	116,500	88,300	182,800
Grant revenue	697,223	-0-	135,966
Interest income	36,837	31,076	43,361
Principal forgiveness revenue	126,982	-0-	-0-
Gain on disposal of assets	755	48,007	-0-
<b>Total non operating revenue</b>	<b>978,297</b>	<b>167,383</b>	<b>362,127</b>
<b>Total revenue</b>	<b>4,915,211</b>	<b>3,873,352</b>	<b>3,880,433</b>
<u>Operating expenses</u>			
Operations	1,697,085	1,829,538	1,758,397
Maintenance	215,118	230,710	232,316
Depreciation	1,388,142	1,363,699	1,267,732
<b>Total operating expenses</b>	<b>3,300,345</b>	<b>3,423,947</b>	<b>3,258,445</b>

# Adams County Regional Water District

## Management's Discussion and Analysis (Continued)

### Financial Analysis of the District's Financial Position and Results of Operations (Continued)

**Table 2 (Continued)**  
**Condensed Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended December 31,**

	2013	2012	2011
<u>Non operating expenses</u>			
Interest expense	\$ 589,990	\$ 611,046	\$ 638,227
Loss on disposal of assets	-0-	-0-	332
<b>Total non-operating expenses</b>	589,990	611,046	638,559
<b>Total expenses</b>	3,890,335	4,034,993	3,897,004
 <u>Income (Loss) before contributions &amp; extraordinary item</u>	 1,024,876	 (161,641)	 (16,571)
 <b>Capital contributions</b>	 23,908	 23,299	 26,427
<b>Extraordinary item</b>	-0-	-0-	3,172
 <b>Change in net position</b>	 \$ 1,048,784	 \$ (138,342)	 \$ 13,028

Operating revenues consist of user charges for water consumption. Operating expenses reflect the cost of providing these services. For the year ended December 31, 2013:

- Operating revenue increased \$230,945 (6.23%) and \$187,663 (5.33%) in 2013 and 2012 respectively.
- Non-operating revenues increased by \$810,914 (484.46%) and decreased by \$194,744 (53.78%) due to an increase and decrease in grant revenue in 2013 and 2012 respectively.
- Operating expenses decreased by \$123,602 (3.61%) and increased by \$165,502 (5.08%) due to a decrease and increase in salaries, utilities, and insurance in 2013 and 2012 respectively. Total expenses decreased by \$144,658 (3.58%) and increased by \$137,989 (3.54%) in 2013 and 2012 respectively.

Capital contributions from customers increased by \$609 (2.61%) and decreased by \$3,128 (11.84%) in 2013 and 2012 respectively. These contributions are provided by customers and grants from various agencies and are used to help cover the costs of line extensions.

# Adams County Regional Water District

## Management's Discussion and Analysis (Continued)

### Capital Assets

As of December 31, 2013 and 2012 respectively, the District had \$14,081,044 and \$14,025,506 invested in capital assets. This amount represents a net increase of \$55,538 (0.39%) in 2013 and net decrease of \$807,292 (5.44%) in 2012.

**Table 3**  
**Capital Assets**  
**December 31,**

	2013	2012	2011
Land and improvements	\$ 869,073	\$ 861,907	\$ 840,524
Construction in progress	1,094,611	100,967	53,150
Buildings	609,419	548,884	546,784
Wells and wellfield improvements	1,554,805	1,554,805	1,383,894
Mains, lines, and meters	27,516,347	27,180,602	26,969,733
Storage tanks	2,117,715	2,117,715	2,117,715
Water treatment & other equipment	1,558,974	1,513,886	1,529,865
Less: Accumulated depreciation	(21,239,900)	(19,853,260)	(18,608,867)
<b>Totals</b>	<b>\$14,081,044</b>	<b>14,025,506</b>	<b>\$14,832,798</b>

Major additions in 2013, 2012,  
and 2011 at cost included:

GIS system	\$ 33,155	\$ -0-	\$ -0-
Security system upgrade	26,936	-0-	-0-
Line extension	24,882	-0-	-0-
Lawshe Road Water line extension	-0-	-0-	1,589,697
Pump and motor rebuilds	-0-	148,486	-0-
AMR meters installation	234,940	44,114	228,750
	<u>\$ 319,913</u>	<u>\$ 192,600</u>	<u>\$ 1,818,447</u>

### Debt Administration

The District finances its construction primarily through the issuance of revenue bonds or through low interest loan programs with the State of Ohio. At December 31, 2013, the District had total debt outstanding of \$11,473,418 compared to \$12,037,297 at December 31, 2012. This represents a net decrease in 2013, of \$563,579 due to principal payments on debt and 2012 of \$787,788, due to early extinguishment of debt and principal payments on debt.

Additional information on the District's long-term debt can be found in Note 4 to the financial statements.



# Adams County Regional Water District

## Management's Discussion and Analysis (Continued)

### Economic Factors and 2013 Budget

Adams County Regional Water District increased water rates in January of 2013. The minimum bill was raised to \$20 for the first 1000 gallons and \$6.50 per thousand thereafter for a 5/8" tap. Larger-sized taps increased proportionately. Wholesale rates increased to \$3.35 per thousand in July of 2013.

The number of water taps sold by the District remained minimal as in the last few years due to the economic status of the country. A total of 42 taps were sold in 2013 on existing water lines. An additional 42 taps were installed on the newly-constructed Sunshine Ridge Road Water Line Extension. The District anticipates selling approximately 50 taps on existing lines in 2014 with an additional 35 to 40 taps being sold on new lines.

Improvements made in the District during 2013 included small line extensions on Wallace Road, Peterson Road, East Fork Road, and Sininger Road. Upgrades were made to the District's telemetry system at the water treatment plant, the camera and security system at the office complex, and the installation of more automatic meter read (AMR) meters in the distribution system. Several repairs and upgrades to the District's buildings and grounds were completed including the installation of equipment sheds and a mini barn for file storage. Various pieces of equipment and tools were purchased for use in the daily operation of the District.

The Sunshine Ridge Road Water Line Extension became a reality in 2013 and provided a much-needed source of potable water to 42 households in the area.

The operating budget for 2014 is \$4,099,550. Capital improvements scheduled for 2014 include installing variable frequency drives (VFD's) on the high service pumps at the water treatment plant in order to save on electrical costs and better maintain the motors, the installation of more AMR meters, the building of a new employee crew building at the office complex, improvements on existing buildings, and small line extensions. Another improvement planned is an upgrade/new line installation on Rigdon Road and Logans Lane. Major purchases for the year will be two pick-up trucks and a service truck, a plasma cutter, and various office equipment and computers as needed.

The District will be installing water lines in the Bettys Creek/Poplar Grove area and the Peach Mountain area if all funding is obtained as planned. This will consist of approximately 9 miles of water line and a water tank and booster station at an estimated cost of \$1,015,600.

The District is also seeking funding for a water tank in the Louisville Road area and hopes to secure the funding for construction in 2014 or 2015.



# **Adams County Regional Water District**

## **Management's Discussion and Analysis (Continued)**

### **Contacting the District's Financial Management**

This report is designed to provide the District's customers, bondholders, creditors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional information, please contact the General Manager, Adams County Regional Water District, 9203 State Route 136, PO Box 427, West Union, OH 45693.

**ADAMS COUNTY REGIONAL WATER DISTRICT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2013 AND 2012**

	<b>ASSETS</b>	
	<u><b>2013</b></u>	<u><b>2012</b></u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,898,310	\$ 2,366,529
Certificates of deposit	2,260,361	1,358,029
Accounts receivable:		
Customers, net of allowance for doubtful accounts of \$11,201	577,164	595,831
Other receivables	17,131	9,345
Accrued interest receivable	40,541	19,421
Inventories	321,619	319,452
Prepaid expenses	41,223	40,685
Total current assets	<u>5,156,349</u>	<u>4,709,292</u>
<b>NON CURRENT ASSETS</b>		
Restricted cash and certificates of deposit	219,140	218,900
Deferred costs, net	34,425	33,422
<b>CAPITAL ASSETS (at cost)</b>		
Non depreciable capital assets		
Land	785,396	785,396
Construction in progress	1,094,611	100,967
Total non depreciable assets	<u>1,880,007</u>	<u>886,363</u>
Depreciable capital assets		
Land and land improvements	83,677	76,511
Buildings	609,419	548,884
Wells and wellfield improvements	1,554,805	1,554,805
Mains, lines and meters	27,516,347	27,180,602
Storage tanks	2,117,715	2,117,715
Water treatment and plant equipment	335,276	324,231
Trucks, tractors and radio equipment	1,097,065	1,063,022
Office furniture and equipment	126,633	126,633
Less: accumulated depreciation	<u>(21,239,900)</u>	<u>(19,853,260)</u>
Total depreciable capital assets	<u>12,201,037</u>	<u>13,139,143</u>
Total capital assets (net of depreciation)	<u>14,081,044</u>	<u>14,025,506</u>
Total non current assets	<u>14,334,609</u>	<u>14,277,828</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 19,490,958</b></u>	<u><b>\$ 18,987,120</b></u>

**ADAMS COUNTY REGIONAL WATER DISTRICT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 45,607	\$ 40,381
Accrued expenses	219,265	233,555
Accrued interest	260,669	231,472
Current portion of long-term debt	728,498	687,883
Customer deposits	<u>25,850</u>	<u>27,350</u>
<b>Total current liabilities</b>	1,279,889	1,220,641
<b>LONG-TERM DEBT, less current portion</b>	<u>10,745,220</u>	<u>11,349,414</u>
<b>Total liabilities</b>	<u>12,025,109</u>	<u>12,570,055</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,607,326	1,988,209
Restricted for debt service	219,140	218,900
Unrestricted net position	<u>4,639,383</u>	<u>4,209,956</u>
<b>Total net position</b>	<u>\$ 7,465,849</u>	<u>\$ 6,417,065</u>

**ADAMS COUNTY REGIONAL WATER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE PERIODS ENDING DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>		
Sales to customers	\$ 2,989,270	\$ 2,780,097
Sales to public authorities	798,897	788,450
Other revenues	148,747	137,422
Total operating revenues	3,936,914	3,705,969
<b>OPERATING EXPENSES</b>		
Salaries	786,133	849,200
Utilities	260,389	316,734
Depreciation expense	1,388,142	1,363,699
Amortization expense	3,446	3,446
Repairs	158,938	172,988
Truck expense	56,180	57,722
Supplies	37,244	34,929
Pension expense	136,162	143,764
Payroll taxes	22,899	26,425
Insurance-other than health	43,755	44,535
Insurance-health & life	264,111	269,981
Office supplies and postage	33,312	33,322
Legal and engineering fees	9,689	4,710
Accounting fees	16,208	21,714
Director fees	26,400	25,650
Advertising	2,586	2,490
Bank charges	95	24
Bad debt expense	527	259
Other expenses	54,129	52,357
Total operating expenses	3,300,345	3,423,949
<b>OPERATING INCOME (LOSS)</b>	636,569	282,020
<b>NON OPERATING REVENUES (EXPENSES)</b>		
Tap fee revenue	116,500	88,300
Grant revenue	697,223	-
Interest income	36,837	31,079
Interest expense	(589,990)	(611,047)
Principal Forgiveness Revenue	126,982	-
Gain (Loss) on Disposal of Assets	755	48,007
Total non operating revenues (expenses)	388,307	(443,661)

**ADAMS COUNTY REGIONAL WATER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE PERIODS ENDING DECEMBER 31, 2013 AND 2012**

<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	1,024,876	(161,641)
<b>CAPITAL CONTRIBUTIONS</b>	<u>23,908</u>	<u>23,299</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	1,048,784	(138,342)
<b>NET POSITION</b>		
Beginning of year	6,417,065	6,555,407
End of year	<u>\$ 7,465,849</u>	<u>\$ 6,417,065</u>

**ADAMS COUNTY REGIONAL WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE PERIODS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 3,946,295	\$ 3,603,241
Cash payments to employees for services	(786,133)	(849,200)
Cash payments to suppliers for goods and services	<u>(1,134,393)</u>	<u>(1,240,880)</u>
<b>Net Cash Used In Operating Activities</b>	2,025,769	1,513,161
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income on investments	<u>15,718</u>	<u>23,997</u>
<b>Net Cash Provided By Investing Activities</b>	15,718	23,997
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of operating facilities, including construction in progress and capitalized interest	(1,450,557)	(544,012)
Members' tap fees	116,500	88,300
Borrowings on long term obligations	124,287	-
Principal forgiveness revenue	126,982	-
Grant revenue	697,223	-
Proceeds from sale of assets	3,200	48,007
Payments on long term debt obligations	(687,883)	(787,788)
Proceeds from construction contributions	23,908	23,299
Interest paid on long term debt obligations	<u>(560,794)</u>	<u>(624,021)</u>
<b>Net Cash Used In Capital and Related Financing Activities</b>	<u>(1,607,134)</u>	<u>(1,796,215)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	434,353	(259,057)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>3,943,458</u>	<u>4,202,515</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 4,377,811</u>	<u>\$ 3,943,458</u>

**ADAMS COUNTY REGIONAL WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE PERIODS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>RECONCILIATION OF OPERATING INCOME TO</b>		
<b>NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 636,569	\$ 282,022
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,388,142	1,363,699
Amortization	3,446	3,446
Contribution of meter readers	-	(12,395)
Changes in assets and liabilities:		
Accounts receivable, customers and other	10,880	(93,133)
Inventories	(2,167)	9,307
Prepaid expenses	(537)	947
Accounts payable and other accrued expenses	(9,064)	(43,532)
Customer deposits	(1,500)	2,800
	<u>\$ 2,025,769</u>	<u>\$ 1,513,161</u>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 2,025,769</b>	<b>\$ 1,513,161</b>

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 1. DESCRIPTION OF ENTITY**

**(a) Description of Operations**

Adams County Regional Water District (the "District"), was organized under the provisions of Section 6119 of the Ohio Revised Code on January 1, 1997. Prior to that date, the District was operated as an Ohio not-for-profit corporation known as Adams County Water Co., Inc. The District provides water service to its customers in Adams County and a portion of Brown County. The accounting policies used by the District reflect practices common to the industry.

**(b) Reporting Entity**

The financial reporting entity consists of the Adams County Regional Water District (the primary government). No component units have been separately organized.

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Presentation and Accounting**

The District's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).



**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(a) Basis of Presentation and Accounting (Continued)**

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) is segregated into invested in capital assets; restricted for debt service; and unrestricted components.

Management of the District has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

**Note 3. ASSETS, LIABILITIES AND NET POSITION**

**(a) Cash and Cash Equivalents**

For the purposes of the statement of cash flows, the District considers cash in operating bank accounts, money market accounts, and certificates of deposit with an original maturity of three months or less as cash.

**(b) Inventories**

Inventories are stated at the lower of cost or market using the first-in, first-out method.

**(c) Deferred Financing Costs**

Costs connected with obtaining and executing debt agreements are capitalized and amortized on the straight-line basis over the term of the related debt.

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 3. ASSETS, LIABILITIES AND NET POSITION (Continued)**

**(d) Capital Assets**

Capital assets are stated at cost. Construction period interest is capitalized as part of construction costs. During the years ended December 31, 2013 and 2012, the District capitalized \$27,745 and \$4,217 interest respectively. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred; major renewals and betterments, over a \$1,000 threshold, are capitalized.

**(e) Depreciation**

Provision for depreciation has been made on the basis of estimated lives of assets, using the straight-line method. Depreciable lives for the various assets are as follows:

Land improvements	10-20 Years
Building	45 Years
Wells and wellfield improvements	10-20 Years
Mains, lines and meters	20-50 Years
Storage tanks	10-50 Years
Equipment	5-10 Years

**(f) Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**(g) Customer Accounts Receivable**

Customer accounts receivable are stated at face value, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through a provision for doubtful accounts charged to expense. Doubtful accounts are charged against the allowance when management believes the collectability of the account is unlikely.

## ADAMS COUNTY REGIONAL WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS (Continued) FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

#### Note 3. ASSETS, LIABILITIES AND NET POSITION (Continued)

##### (h) Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities. Revenues are recognized when earned and expenses when incurred. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to unrestricted net position to the extent such are available and then to restricted net position.

##### (i) Net Position

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

*Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

*Restricted* – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* – This component of net position consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets."

Of the District's \$219,140 in restricted net position, none were restricted by enabling legislation.

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 3. ASSETS, LIABILITIES AND NET POSITION (Continued)**

**(j) Investments and Investment Policy**

The District has adopted an investment and depository policy, which states that the District will invest in the following instruments, as provided by Section 135.35 of the Ohio Revised Code.

- Securities of the United States Government
- Federal agency obligations
- Repurchase agreements
- State of Ohio bonds and other obligations
- No-load money market mutual funds
- State Treasurer's investment pool (STAROhio)
- Certain bankers' acceptances and commercial paper notes

**Note 4. RESTRICTED CASH AND CERTIFICATES OF DEPOSIT**

Restricted cash and certificates of deposit consist of savings accounts and certificates of deposit and represent amounts designated as reserved to comply with loan agreements with the U.S. Department of Agriculture Farmers Home Administration (FMHA) described more fully in Note 4.

**Note 5. LONG-TERM DEBT**

On April 21, 1999, the District issued \$2,639,424, in water revenue refunding bonds with rates of 4.5% to 6.5% in order to refinance the existing notes payable to FMHA. The terms of the bonds are identical to the previously issued notes and, therefore, no economic gain has been recognized by the District. During 2005, the District issued \$144,000 in a water revenue refunding bond to acquire equipment in connection with the District's water supply system. The bond has a rate of 4.25% with a final maturity date in 2015. During 2011, the District entered into two long term debt arrangements related to the Lawshe Road Waterline Extension. The District borrowed \$173,713 from the Ohio Public Works Commission. The loan has a -0-% interest rate and a final maturity in 2041. The District also obtained a Water Resource Revenue Bond from the United States of America Department of Agriculture for \$736,000 at a rate of 2.38% with a maturity of 2050.

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 5. LONG-TERM DEBT (Continued)**

During 2012, the United States Department of Agriculture Rural Development reviewed the District's debt and requested that the District use some reserve funds to pay off the set of water revenue refunding bonds with the interest rate of 6.5%, due to the high interest rate of the bonds and the low interest rate on certificates of deposit. After reviewing the set of bonds, the Board of Trustees agreed and authorized a final payment of \$139,196 on November 19, 2012. This early extinguishment of debt will save approximately \$53,000 in interest over the next 11 years.

During 2013, the District entered into one long term debt arrangement related to the Sunshine Ridge Waterline Extension. The District borrowed \$427,718 from the Environmental Protection Agency's Drinking Water Assistance Fund through the Ohio Water Development Authority. Of this amount, \$126,982 of the principal has been forgiven, leaving the loan at \$300,736. The loan has a 1.88% interest rate and a final maturity in 2043.

The original amount of each issue, the maturity date, and interest rates are summarized below:

	<b>Amount of Original <u>Issue</u></b>	<b>Final Maturity <u>Date</u></b>	<b>Interest <u>Rate</u></b>
\$	322,095	2034	4.50%
\$	242,304	2015	5.00%
\$	987,342	2019	5.00%
\$	246,725	2018	5.00%
\$	195,658	2012	6.50%
\$	144,000	2015	4.25%
\$	736,000	2050	2.38%
\$	300,736	2044	1.88%
\$	173,713	2041	0.00%

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 5. LONG-TERM DEBT (Continued)**

The annual debt service requirements to maturity, including principal and interest for long-term debt as of December 31, 2013, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 728,498	\$ 561,206	\$ 1,289,704
2015	763,681	526,284	1,289,965
2016	760,529	489,448	1,249,977
2017	797,946	452,322	1,250,268
2018	837,540	413,123	1,250,663
2019-2023	4,411,862	1,429,034	5,840,896
2024-2028	2,521,793	341,957	2,863,750
2029-2033	247,314	82,297	329,611
2034-2038	204,400	52,216	256,616
2039-2043	193,443	33,323	226,766
2044-2048	127,700	15,840	143,540
2049-2050	<u>55,400</u>	<u>1,981</u>	<u>57,381</u>
Total	<u>\$11,650,106</u>	<u>\$ 4,399,031</u>	<u>\$16,049,137</u>

The following is a summary of changes in long-term debt for the year ended December 31, 2013:

	<u>Balance 12/31/12</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/13</u>	<u>Due within One Year</u>
1999 water revenue refunding bonds	\$ 856,700	\$ -	\$ 94,900	\$ 761,800	\$ 99,700
2005 water revenue refunding bond	49,600	-	15,800	33,800	16,600
2011 water resource revenue bond	713,300	-	11,800	701,500	12,000

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 5. LONG-TERM DEBT (Continued)**

	<u>Balance 12/31/12</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/13</u>	<u>Due within One Year</u>
Note payable OWDA, payable in semiannual Installments of \$342,839 starting January 1, 2002, including interest at 6.39%, due July 2026	6,282,363	-	288,776	5,993,587	307,524
Note payable OWDA, payable in semiannual installments of \$66,981 starting January 1, 2000, including interest at 2%, due July 2024	1,416,723	-	105,628	1,311,095	107,740
Note payable OWDA, Payable in 50 semiannual Installments of \$54,013 starting January 1, 2000, including interest at 5.86%, due July 2024	911,910	-	54,588	857,322	57,787
Note payable OWDA, payable in 50 semiannual installments of \$25,260, starting July 1, 2000, including interest at 5.56%, due January 2025	450,833	-	25,807	425,026	27,262
Note payable OWDA, payable in 50 semiannual installments of \$53,061, starting July 1, 2000, including interest at 2%, due January 2025	1,163,321	-	82,856	1,080,465	84,513
Note payable OWDA, payable in 40 semiannual installments of \$1,591, starting July 1, 2003, including interest at 5.15%, due January 2022	24,624	-	1,938	22,686	2,039

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 5. LONG-TERM DEBT (Continued)**

Note payable OPW,  
 payable in 60 semiannual  
 installments of \$2,895,  
 starting January 1, 2012,  
 -0-% interest due July 2041

	167,923	-	5,791	162,132	5,790
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Note payable OWDA,  
 payable in 60 semiannual  
 installments of \$6,581,  
 starting January 1, 2014,  
 including interest at 1.88%,  
 due July 2043

	\$ -	\$ 124,305	-	\$ 124,305	\$ 7,544
	<u>\$ 12,037,297</u>	<u>\$ 124,305</u>	<u>\$ 687,884</u>	<u>\$ 11,473,718</u>	<u>\$ 728,499</u>

Capital assets, together with all revenue and service charges which may arise from the operations of the District, are pledged for the payment of revenue bond debt.

The notes payable OWDA and OPW are secured by operating facilities.

Bond indentures contain significant requirements for debt reserve and flow of funds through restricted accounts. The District is required to accumulate over a ten year period a reserve balance equal to one annual installment including principal and interest. The reserve balance at December 31, 2013 and 2012 was \$219,140 and \$218,900 respectively. This amount equaled the required reserve.

**Note 6. CONTRIBUTIONS IN AID OF CONSTRUCTION**

Contributions in aid of construction consist of contributions from customers and grants from FMHA and various government agencies for the construction of water mains to serve customers.



**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 7. EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or 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.

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but will be needed before the end of the current period of designation of depositories.

State statute permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligations or securities 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: 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;

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 7. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)**

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, its political subdivisions, or other units or agencies of this State or its political subdivisions;
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 items (1) and (2) of this footnote 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 (STAROhio)
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; and
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.

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.

ADAMS COUNTY REGIONAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Note 7. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)

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. Investments must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At December 31, 2013 and 2012, the District had \$131 and \$181 respectively, in undeposited cash on hand which is included on the statement of net position 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. The District is required to categorize deposits and investments according to GASB Statement No. 3, *Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements*. The bank balances of the District's deposits at December 31, 2013 and 2012 were \$3,939,404 and \$3,943,280 respectively.

Of the bank balances at December 31, 2013 and 2012, all were covered either by federal depository insurance or collateral held by the pledging bank's trust department but not in the District's name pursuant to Section 135.181 Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

## ADAMS COUNTY REGIONAL WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS (Continued) FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

#### Note 7. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)

Although the pledging bank has an investment and securities pool used to collateralize all public deposits, which are held in the financial institution's name, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC. The deposits not covered by federal depository insurance are considered uninsured and uncollateralized under the provisions of GASB Statement No. 3 and subject to custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the government's investments in a single issuer. The District's investment policy does not address concentration of credit risk.

#### Note 8. PENSION BENEFITS

Statement 27 of the Governmental Accounting Standards Board (GASB), *Accounting for Pensions by State and Local Governmental Employers*, as amended by Statement 50 of the Governmental Accounting Standards Board (GASB), *Pension Disclosures an amendment of GASB Statements No. 25 and No. 27*, establishes standards for disclosures of information on pension benefits by all state and local government employers.

- (a) Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
1. The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan.
  2. The Member-Directed Plan—a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
  3. The Combined Plan—a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 8. PENSION BENEFITS (Continued)**

- (b) OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- (c) Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- (d) OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.
- (e) The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.
- (f) The 2013 member contribution rates were 10.00% of covered payroll for members in state and local classifications. Public safety and law enforcement members, contributed 12.00% and 12.60% respectively. Effective January 1, 2014, the member contribution rates for public safety and law enforcement members increased to 12.00% and 13.00% respectively.
- (g) The 2013 employer contribution rate for state and local employers was 14.00% of covered payroll. The law enforcement and public safety division, employer contribution rate was 18.10% of covered payroll.
- (h) The District contributed \$114,490 and \$120,882 to the plan for 2013 and 2012.
- (i) In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement 27, and is effective for employer fiscal years beginning after June 15, 2014.

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 9. POST-EMPLOYMENT BENEFITS**

Statement 45 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pension*, establishes standards for disclosure of information on post-employment benefits other than pension benefits by all state and local government employers.

**(a) Plan Description**

Ohio Public Employees Retirement System (OPERS) administers three separate 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.

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

In order to qualify for 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 OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in 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 OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.



## ADAMS COUNTY REGIONAL WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS (Continued) FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

#### Note 9. POST-EMPLOYMENT BENEFITS (Continued)

##### (b) Funding Policy

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 coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees 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 health care for members in the Traditional Plan was 1.00% during the calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.00% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

##### (c) District Contributions

The district's contributions to OPERS for the years ended December 31, 2013 and 2012, to fund post-employment benefits were \$8,175 and \$34,536 respectfully.

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 9. POST-EMPLOYMENT BENEFITS (Continued)**

**(d) OPERS Board of Trustees Adopt Changes to the Health Care Plan**

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

**Note 10. TERMINATION BENEFITS**

The District's liabilities for benefits upon termination of employment are not estimable and, therefore, have not been recognized in the financial statements.

**Note 11. CAPITAL ASSETS**

The balance of capital assets at December 31, 2013 consists of the following:

	<u>Balance</u> <u>12/31/2012</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>12/31/13</u>
Land and land improvements	\$ 861,907	\$ 7,166	\$ -	\$ 869,073
Accumulated depreciation	(33,444)	(3,674)	-	(37,118)
Buildings	548,884	60,535	-	609,419
Accumulated depreciation	(332,753)	(17,603)	-	(350,356)
Wells and wellfield improve- ments	1,554,805	-	-	1,554,805
Accumulated depreciation	(1,247,847)	(41,640)	-	(1,289,487)
Mains, lines and meters	27,180,602	335,745	-	27,516,347
Accumulated depreciation	(15,616,093)	(1,174,863)	-	(16,790,956)
Storage tanks	2,117,715	-	-	2,117,715
Accumulated depreciation	(1,462,414)	(72,272)	-	(1,534,686)
Water treatment and plant equipment	324,231	11,045	-	335,276



**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 11. CAPITAL ASSETS (Continued)**

	<u>Balance</u> <u>12/31/2012</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>12/31/13</u>
Accumulated depreciation	\$ (282,688)	\$ (4,943)	\$ -	\$ (287,631)
Trucks, tractors and radio equipment	1,063,022	37,994	3,950	1,097,066
Accumulated depreciation	(772,701)	(65,644)	(1,505)	(836,840)
Office furniture and equipment	126,633	-	-	126,633
Accumulated depreciation	(105,321)	(7,506)	-	(112,827)
Construction in progress	<u>100,968</u>	<u>993,643</u>	<u>-</u>	<u>1,094,611</u>
Total	<u>\$ 14,025,506</u>	<u>\$ 57,983</u>	<u>\$ 2,445</u>	<u>\$14,081,044</u>

**Note 12. COMPENSATED ABSENCES**

Full-time, permanent employees of the District are granted vacation benefits in varying amounts based on specified maximums depending on tenure with the District. Sick leave accrues to full-time, permanent employees to specified maximums. Upon termination, employees are entitled to one-half of unused sick hours up to 75 days and all accrued vacation leave. Accrued compensated absences, included in accrued expenses, as of December 31, 2013 and 2012 were \$196,844 and \$195,204 respectively.

**Note 13. ECONOMIC DEPENDENCY**

Adams County Regional Water District's customer base consists of villages and individuals in Adams County, Ohio and a small portion of Brown County, Ohio.

**Note 14. 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, inquiries to employees and natural disasters. Significant risk of losses is covered by commercial insurance.

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 15. CONTINGENCIES**

The District is involved in various open workers' compensation cases. The ultimate resolution of these matters is not ascertainable at this time. No provision has been made in the financial statements related to these claims.

**Note 16. DEFERRED COSTS**

Deferred costs are the result of the capitalization of fees incurred to obtain loans from OWDA.

**Note 17. ADVERTISING COSTS**

The District expenses advertising costs as incurred. Advertising expenses amounted to \$2,586 and \$2,490 in 2013 and 2012 respectively.

**Note 18. BUDGETARY ACTIVITY**

The District prepares its budget based on a modified cash method of accounting. The budgetary comparison schedule included in the supplemental information, presented on page 37, includes disbursements for debt retirement of \$687,884 and capital expenditures of \$1,321,843.

**Note 19. SUNSHINE RIDGE WATERLINE EXTENSION**

During 2013, the District began a water line extension for the Sunshine Ridge area. The funding for the project is provided by:

- a) Appalachian Regional Commission (ARC) - \$250,000
- b) Community Development Block Grant from the Ohio Department of Development (CDBG) - \$500,000
- c) EPA Drinking Water Assistance Fund 1.88% loan through OWDA - \$427,718

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>RECEIPTS/REVENUES</b>				
Sales to rural customers	\$ 2,804,000	\$2,804,000	\$2,989,270	\$ 185,270
Sales to public authorities	770,000	770,000	798,897	28,897
Interest income	25,000	25,000	36,837	11,837
Other revenue	105,000	105,000	146,301	41,301
Tap fees collected	87,000	87,000	116,500	29,500
Contributions revenue	-	-	23,908	23,908
Grant revenue	-	-	697,223	697,223
Principal forgiveness revenue	-	-	126,982	126,982
Proceeds from sale of assets	-	-	3,200	3,200
Transfer from savings	<u>146,000</u>	<u>146,000</u>	<u>-</u>	<u>(146,000)</u>
Total receipts	3,937,000	3,937,000	4,939,119	1,002,119
<b>DISBURSEMENTS/EXPENDITURES</b>				
Salaries	840,000	840,000	786,133	53,867
Utilities	317,000	312,000	260,388	51,612
Repairs and inventories	220,000	220,000	145,144	74,856
Truck expense	60,000	60,000	56,180	3,820
Supplies	38,000	38,000	37,244	756
Pension expense	145,000	145,000	136,162	8,838
Payroll taxes	29,000	29,000	22,899	6,101
Insurance	320,000	320,000	307,867	12,133
Office supplies & postage	35,000	35,000	33,312	1,688
Legal and engineering	5,000	10,000	9,689	311
Accounting	17,000	17,000	16,208	792
Trustee fees	31,000	31,000	26,400	4,600
Other expenses	72,000	72,000	57,170	14,830
Debt service	1,276,405	1,276,405	1,276,405	-
Capital expenditures	<u>518,800</u>	<u>518,800</u>	<u>1,321,843</u>	<u>(803,043)</u>
Total disbursements	3,924,205	3,924,205	4,493,044	(568,839)
Excess receipts over Disbursements	<u>\$ 12,795</u>	<u>\$ 12,795</u>	<u>\$ 446,075</u>	<u>\$ 433,280</u>

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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*

Adams County Regional Water District  
Adams County  
9203 State Route 136  
West Union, Ohio 45693

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 Adams County Regional Water District, Adams County, Ohio, (the District) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 15, 2014.

### ***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 initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

May 15, 2014



# Dave Yost • Auditor of State

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**ADAMS 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  
MAY 29, 2014**