

**ADAMS COUNTY REGIONAL  
WATER DISTRICT**

**GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

**TOGETHER WITH INDEPENDENT AUDITORS' REPORT**





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Directors  
Adams County Regional Water District  
West Union, OH 45693

We have reviewed the Independent Auditor's Report of the Adams County Regional Water District, prepared by Reynolds & Company, for the audit period January 1, 2001 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

July 24, 2002

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Adams County Regional Water District  
West Union, Ohio

We have audited the accompanying general purpose financial statements of Adams County Regional Water District as of and for the years ended December 31, 2001 and 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of Adams County Regional Water District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Adams County Regional Water District as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2002, on our consideration of Adams County Regional Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Reynolds & Company  
Certified Public Accountants

Portsmouth, Ohio  
April 26, 2002



## **FINANCIAL STATEMENTS**

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**ADAMS COUNTY REGIONAL WATER DISTRICT**

**BALANCE SHEETS**  
**December 31, 2001 and 2000**

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,730,797	\$ 1,457,825
Certificates of deposit	874,555	1,557,765
Accounts receivable:		
Customers, net of allowance for doubtful accounts of \$11,201 and \$41,357 at December 31, 2001 and 2000	315,055	291,724
Other receivables	24,842	49,406
Accrued interest receivable	51,046	28,427
Inventories	154,425	127,290
Prepaid expenses	18,953	19,090
Total current assets	<u>4,169,673</u>	<u>3,531,527</u>
<b>OPERATING FACILITIES (at cost)</b>		
Land and land improvements	422,835	418,649
Buildings	492,413	487,127
Wells and wellfield improvements	1,299,479	1,235,306
Mains, lines and meters	22,427,635	13,876,283
Storage tanks	1,390,655	1,370,897
Water treatment and plant equipment	409,081	407,326
Trucks, tractors and equipment	577,968	481,277
Office furniture and equipment	84,187	82,009
Construction in progress	17,908	5,730,153
	<u>27,122,161</u>	<u>24,089,027</u>
Less: accumulated depreciation	<u>(6,673,540)</u>	<u>(5,963,657)</u>
Net operating facilities	<u>20,448,621</u>	<u>18,125,370</u>
<b>OTHER ASSETS</b>		
Restricted cash and certificates of deposit	366,415	255,463
Deferred costs, net	69,757	72,028
Total other assets	<u>436,172</u>	<u>327,491</u>
 Total assets	 <u>\$ 25,054,466</u>	 <u>\$ 21,984,388</u>

The Notes to Financial Statements are an integral part of these statements.

ADAMS COUNTY REGIONAL WATER DISTRICT

BALANCE SHEETS (CONTINUED)

December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>MEMBERS' EQUITY</b>		
Members' tap fees	\$ 2,488,086	\$ 2,102,936
Contributions in aid of construction	3,525,482	3,239,523
Retained earnings	1,817,809	1,782,545
Total members' equity	<u>7,831,377</u>	<u>7,125,004</u>
<b>LONG-TERM DEBT</b> , less current portion	16,367,288	14,255,003
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	474,069	151,253
Accounts payable	19,406	238,986
Accrued expenses	185,543	169,702
Accrued interest	153,533	21,040
Customer deposits	23,250	23,400
Total current liabilities	<u>855,801</u>	<u>604,381</u>
Total liabilities, contributions and members' equity	<u>\$25,054,466</u>	<u>\$21,984,388</u>

The Notes to Financial Statements are an integral part of these statements.

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**STATEMENTS OF INCOME AND RETAINED EARNINGS**  
**FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	<b>2001</b>	<b>2000</b>
<b>REVENUES</b>		
Sales to customers	\$ 1,720,396	\$ 1,466,963
Sales to public authorities	620,999	618,818
Other revenues	85,295	59,765
Total revenues	2,426,690	2,145,546
<b>EXPENSES</b>		
Salaries	687,108	602,475
Utilities	192,660	200,643
Depreciation expense	709,884	679,417
Meter reader expense	-	50,276
Repairs	172,022	93,727
Truck expense	24,547	19,233
Supplies	20,100	20,376
Pension expense	114,563	90,070
Payroll taxes	12,369	16,894
Insurance	113,350	99,734
Office supplies and postage	26,967	26,070
Legal and engineering fees	80,589	125,574
Accounting fees	11,593	15,082
Director fees	21,460	26,571
Bad debts	400	33,491
Other expenses	55,455	51,371
Amortization	2,272	2,272
Total expenses	2,245,339	2,153,276
<b>OPERATING INCOME (LOSS)</b>	181,351	(7,730)
<b>NON-OPERATING INCOME (EXPENSES)</b>		
Interest income	187,798	181,013
Interest expense	(333,885)	(342,370)
Total other income (expenses)	(146,087)	(161,357)
<b>NET INCOME (LOSS)</b>	35,264	(169,087)
<b>RETAINED EARNINGS</b> , as previously reported	-	1,904,613
Prior period adjustment	-	47,019
<b>RETAINED EARNINGS</b> , as restated	1,782,545	1,951,632
<b>RETAINED EARNINGS, ENDING</b>	\$ 1,817,809	\$ 1,782,545

The Notes to Financial Statements are an integral part of these statements.

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income from operations	\$ 181,351	\$ (7,730)
Items not requiring cash:		
Depreciation	709,884	679,416
Amortization	2,272	2,272
Changes in:		
Accounts receivable, customers and other	1,234	(31,863)
Inventories	(27,135)	(8,336)
Prepaid expenses	137	(930)
Accounts payable and other accrued expenses	(203,738)	105,910
Deposits	(150)	-
Net cash provided by operating activities	<u>663,855</u>	<u>738,739</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale (purchase) of investments	686,507	(760,997)
Interest income on investments	161,882	170,933
Net cash provided by (used in) investing activities	<u>848,389</u>	<u>(590,064)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Members' tap fees	385,150	293,650
Net cash provided by non-capital financing activities	<u>385,150</u>	<u>293,650</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of operating facilities, including construction in progress and capitalized interest	(2,978,139)	(6,011,446)
Net increase in restricted cash and certificates of deposit	(110,952)	(25,618)
Payment of loan origination fees	-	(28,865)
Proceeds from issuance of long-term debt	2,587,977	5,554,437
Payments on long-term debt obligations	(152,875)	(316,350)
Proceeds from construction contributions	230,959	388,974
Interest paid on long-term debt obligations	(201,392)	(357,677)
Net cash used in capital and related financing activities	<u>(624,422)</u>	<u>(796,545)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,272,972	(354,220)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,457,825</u>	<u>1,812,045</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,730,797</u>	<u>\$ 1,457,825</u>

The Notes to Financial Statements are an integral part of these statements.

## ADAMS COUNTY REGIONAL WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

#### Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Background and Nature 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 members in Adams County. The accounting policies used by the District reflect practices common to the industry.

##### **Proprietary Fund**

The District's activities are accounted for as a proprietary fund which uses the economic resources measurement focus. The accounting objectives are the determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet. Proprietary fund equity is segregated into contributed capital and retained earnings. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

##### **Basis of Accounting**

For financial statement presentation purposes, the District utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned. Unbilled water utility service receivables are recorded at year end.

Expenses are recognized as liabilities are incurred.

##### **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. Restricted assets are considered to be assets with limited use and, therefore, are not considered as cash equivalents.

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventories**

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

**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.

**Operating Facilities**

Operating facilities are stated at cost. Construction period interest is capitalized as part of construction costs. During the years ended December 31, 2001, and 2000, the District capitalized \$187,161 and \$94,048 interest, respectively. Maintenance and repairs are expensed as incurred; major renewals and betterments are capitalized.

**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:

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



**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Estimates**

The preparation of general purpose financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**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 collectibility of the account is unlikely.

**Note 2. 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 3.

**Note 3. 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.

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

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

**Note 3. LONG-TERM DEBT (Continued)**

<u>Amount of Original Issue</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>
\$ 322,095	2034	4.5%
242,304	2015	5.0%
987,342	2019	5.0%
645,300	2008	5.0%
246,725	2018	5.0%
195,658	2023	6.5%

The following is a summary of changes in long-term debt for the year ended December 31, 2001:

	<u>Balance 12/31/00</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/01</u>
2000 water revenue refunding bonds	\$2,414,600	\$ -	\$ 56,900	\$ 2,357,700
Note payable OWDA, payable in semiannual installments of \$66,981 starting Jan. 1, 2000, including interest at 2%, due July 2024.	2,492,127	-	41,644	2,450,483
Note payable OWDA, payable in 50 semiannual installments of \$56,346 starting Jan. 1, 2000, including interest at 5.86%, due July 2024.	1,346,947	-	14,569	1,332,378
Note payable OWDA, payable in 50 semiannual installments of \$25,643, starting July 1, 2000, including interest at 5.56%, due January 2025.	665,261	-	6,774	658,487

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

**Note 3. LONG-TERM DEBT (Continued)**

	<u>Balance</u> <u>12/31/00</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/01</u>
Note payable OWDA, payable in 50 semiannual installments of \$53,061, starting July 1, 2000, including interest at 2%, due January 2025.	2,007,208	-	32,989	1,974,219
Note payable OWDA, payable in semiannual installments of \$671,589, starting January 1, 2002 including interest at 6.39%, due July 2026	<u>5,480,113</u>	<u>2,587,977</u>	<u>-</u>	<u>8,068,090</u>
	<u>\$ 14,406,256</u>	<u>\$ 2,587,977</u>	<u>\$ 152,876</u>	<u>\$ 16,841,357</u>

The annual debt service requirements to maturity, including principal and interest for long-term debt as of December 31, 2001, is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 474,069	\$ 855,668	\$ 1,329,737
2003	484,432	834,675	1,319,107
2004	506,469	812,566	1,319,035
2005	529,647	789,288	1,318,935
2006	554,216	764,776	1,318,992
Thereafter	<u>14,292,524</u>	<u>2,470,970</u>	<u>16,763,494</u>
Total	<u>\$ 16,841,357</u>	<u>\$ 6,527,943</u>	<u>\$ 23,369,300</u>

Operating facilities, together with all revenue and service charges which may arise from the operations of the Company, are pledged for the payment of revenue bond debt.

The note payable OWDA is 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, 2001 and 2000 was \$366,415 and \$255,463, respectively. These amounts equaled the required reserve.

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

**Note 4. CONTRIBUTIONS IN AID OF CONSTRUCTION**

Contributions in aid of construction consist of grants from FMHA and amounts contributed to the District by various government agencies for the construction of water mains to serve customers. The District capitalizes the costs of such mains as an asset of the District and becomes responsible for the future expense relating to the operation and maintenance of such assets.

**Note 5. MEMBERS' TAP FEES**

The District uses the members' tap fees account to record tap fees collected from new customers (members). Tap fees collected for the years December 31, 2001 and 2000 amount to \$385,150 and \$293,650, respectively.

**Note 6. DEPOSITS**

The District's pooled deposits are categorized to give an indication of the level of risk assumed by the District at December 31, 2001 and 2000. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Uncollateralized.

Deposits, categorized by level of risk, at December 31, 2001 and 2000 were:

	Bank Balance	Category		
		<u>1</u>	<u>2</u>	<u>3</u>
<u>Pooled deposits 12/31/00</u>				
Pooled cash	<u>\$ 3,271,053</u>	<u>\$ 500,000</u>	<u>\$2,771,053</u>	<u>\$ -</u>
<u>Pooled deposits 12/31/01</u>				
Pooled cash	<u>\$ 3,968,470</u>	<u>\$1,337,673</u>	<u>\$2,630,797</u>	<u>\$ -</u>

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

**Note 7. PENSION PLAN**

In accordance with GASB Statements No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Government Employers," and No. 27, "Accounting for Pensions by State and Local Government Employers," the following note provides information concerning the pension plan.

**A. Public Employees Retirement System**

1. Plan Description and Funding Policy

All employees of the District participate in the Public Employees Retirement System of Ohio (the "PERS of Ohio"), a cost-sharing multiple employer defined benefit pension plan. PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio, 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for employees is 8.5%. The 2001 and 2000 employer rate for local government employer units with 13.55% of covered payroll, 8.44% to fund the pension benefit obligation and 5.11% to fund health care. The contribution requirements of plan members and the Commission are established and may be amended by the Public Employees Retirement Board. The District's contributions to the PERS of Ohio for the years ended December 31, 2001, 2000 and 1999 were \$109,601, \$85,933 and \$104,105 which is equal to 13.55% of covered payroll.

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

**Note 7. PENSION PLAN (Continued)**

2. Other Postemployment Benefits

In addition to the pension benefit obligation described above, the PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions and requires employers to fund postemployment health care through their contributions to the PERS of Ohio.

The health inflation and significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 1999. There were 401,339 active contributing participants in the PERS of Ohio as of December 31, 1999. An entry age normal actuarial cost method of valuation was used in determining the present value of benefit liabilities and normal cost. The difference between assumed and actual experience (actuarial gains and losses) became part of unfunded actuarial accrued liability. Short-term securities consisting of commercial paper and U.S. Treasury obligations were carried at cost, which approximates market value. Equity securities, fixed income investments and investments in real estate were carried at market. Using the smoothed market approach for actuarial valuation purposes, assets were adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was 7.75%. An annual increase of 5.25% compounded annually was the base portion of the individual pay increase assumptions, which assumed no change in the number of active employees. Additionally, annual pay increases over and above the 5.25% base increase were assumed to range for 0% to 5.1%. Health care premiums were assumed to increase 5.25% annually.

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

**Note 7. PENSION PLAN (Continued)**

The "Other Postemployment Benefit Obligation" at December 31, 1999 for the PERS of Ohio as a whole determined through an actuarial valuation performed as of that date was \$8,597,000,000. The PERS of Ohio's net assets available for other postemployment benefits as of that date was \$7,226,000,000, leaving an unfunded actuarial accrual liability based on the actuarial cost method of \$1,371,000,000.

**Note 8. 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, 2001 and 2000, were \$160,683 and \$147,992, respectively.

**Note 9. CONCENTRATION OF CREDIT RISK**

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

**Note 10. OPERATING FACILITIES**

The balance of operating facilities at December 31, 2001 consists of the following:

	<u>Balance</u> <u>12/31/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/01</u>
Land and land improvements	\$ 418,649	\$ 4,186	\$ -	\$ 422,835
Buildings	487,127	5,286	-	492,413
Wells and well field improvements	1,235,306	64,173	-	1,299,479
Mains, lines and meters	13,876,283	8,507,603	-	22,383,886
Storage tanks	1,370,897	19,758	-	1,390,655

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

**Note 10. OPERATING FACILITIES (Continued)**

	<u>Balance 12/31/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/01</u>
Water treatment and plant equipment	407,326	1,755	-	409,081
Trucks, tractors and equipment	481,277	96,691	-	577,968
Office furniture and equipment	82,009	2,178	-	84,187
Construction in progress	<u>5,730,153</u>	<u>2,715,622</u>	<u>8,427,867</u>	<u>17,908</u>
Total	<u>\$ 24,089,027</u>	<u>\$11,417,252</u>	<u>\$ 8,427,867</u>	<u>\$ 27,078,412</u>

**Note 11. 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 are covered by commercial insurance. For each of the past three years, the District has not incurred any settlements which exceeded insurance coverage. Also, there has been no significant reduction in insurance coverage by major category of risk.

**Note 12. DEFERRED COSTS**

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

**Note 13. PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of \$47,019 is recorded on the Statement of Income and Retained Earnings for the fiscal year ending December 31, 2000. The adjustment is a result of interest being expensed on an OWDA note in 1999 which should have been capitalized.



## **COMPLIANCE AND INTERNAL CONTROL**

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

To the Board of Directors  
Adams County Regional Water District  
West Union, Ohio

We have audited the general purpose financial statements of Adams County Regional Water District as of and for the year ended December 31, 2001 and have issued our report thereon dated April 26, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Adams County Regional Water District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Adams County Regional Water District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control

over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Reynolds & Company  
Certified Public Accountants

April 26, 2002





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
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**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  
AUGUST 13, 2002**