

Adams County Regional Water District
Adams County, Ohio

Regular Audit

January 1, 2008, through December 31, 2008
Fiscal Years Audited Under GAGAS: 2008



Balestra, Harr & Scherer, CPAs, Inc.
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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Adams County Regional Water District, Adams County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 8, 2009

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Adams County Regional Water District
Adams County, Ohio
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For the Years Ended December 31, 2008 and 2007

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the business-type activities of the Adams County Regional Water District, Adams County (the District), as of and for the years ended December 31, 2008 and 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2008 and 2007, and the results of its operations and its cash flows thereof, for the years 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 17, 2009 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the result of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note 20, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – an amendment of GASB Statement No. 25 and No. 27*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.



Balestra, Harr & Scherer, CPAs, Inc.
April 17, 2009

Adams County Regional Water District
Adams County, Ohio
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2008 and 2007

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, 2008. 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 \$5,898,916 and \$5,856,805 as of December 31, 2008 and 2007 respectively.
- Net assets increased by \$42,111 in 2008 and increased by \$208,872 in 2007.
- Operating revenues decreased by \$68,951 (2.08%) and \$277,860 (9.14%) and operating and maintenance expenses increased by \$72,836 (2.44%) and \$134,239 (4.71%) in 2008 and 2007 respectively.
- Retirement of debt principal totaled \$623,549 and \$595,649 for 2008 and 2007 respectively and there were no additions to debt principal for both 2008 and 2007.

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 Assets, the Statements of Revenues and Expenses and Changes in Net Assets, 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 Assets presents the District's financial position and reports the resources owned by the District (assets), obligations owed by the District (liabilities) and District net assets (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.

The Statements of Revenues, Expenses and Changes in Net Assets present a summary of how the District's net assets 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.

Adams County Regional Water District
Adams County, Ohio
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For the Years Ended December 31, 2008 and 2007

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

The tables below provide a summary of the District's restated financial position and operations for 2008, 2007 and 2006, respectively.

Table 1
Condensed Statement of Net Assets
December 31,

	2008	2007	2006
<u>Assets</u>			
Current & other assets	\$ 4,168,801	\$ 4,433,382	\$ 4,406,046
Capital assets, net	16,237,731	16,384,694	17,018,518
Total assets	20,406,532	20,818,076	21,424,564
<u>Liabilities</u>			
Current liabilities	1,374,851	1,266,064	1,457,879
Long-term debt	13,132,765	13,695,207	14,318,752
Total liabilities	14,507,616	14,961,271	15,776,631
<u>Net Assets</u>			
Invested in capital assets, net of related debt	2,542,524	2,065,938	2,104,113
Restricted for debt service	206,004	383,387	388,346
Unrestricted	3,150,388	3,407,480	3,155,474
Total net assets	\$ 5,898,916	\$ 5,856,805	\$ 5,647,933

As noted earlier, the net assets may serve as a useful indicator of financial position. The District's assets exceeded liabilities by \$5,898,916 as of December 31, 2008, of which \$2,542,524 is for net investment in capital assets; compared to an excess of \$5,856,805 as of December 31, 2007.

The largest portion of the District's net assets 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, 2008 and 2007 respectively, total assets of the District decreased by \$411,544 and \$606,488 due to depreciation of capital assets. Total liabilities as of December 31, 2008 and 2007 decreased by \$453,655 and \$815,360, respectively; due mainly to retirement of debt.

Adams County Regional Water District
Adams County, Ohio
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2008 and 2007

The following table summarizes the restated changes in revenues and expenses for the District between 2008, 2007 and 2006:

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

	2008	2007	2006
<u>Operating revenue</u>			
Sales to customers	\$ 2,399,659	\$ 2,454,375	\$ 2,260,934
Sales to public authorities	744,434	759,957	692,543
Other revenues	103,774	102,486	85,481
Total operating revenue	3,247,867	3,316,818	3,038,958
<u>Non operating revenue</u>			
Tap fee revenue	154,900	187,200	220,900
Grant revenue	-	150,000	10,640
Interest income	97,153	151,270	127,330
Total non operating revenue	252,053	488,470	358,870
Total revenue	3,499,920	3,805,288	3,397,828
<u>Operating expenses</u>			
Operations	1,542,283	1,516,291	1,400,036
Maintenance	227,478	197,333	197,534
Depreciation	1,288,262	1,271,563	1,253,378
Total operating expenses	3,058,023	2,985,187	2,850,948
<u>Non operating expenses</u>			
Interest expense	711,452	683,815	764,827
Loss on disposal of assets	-	-	8,978
Total non operating expenses	711,452	683,815	773,805
Total expenses	3,769,475	3,669,002	3,624,753
Income (Loss) before contributions & extraordinary item	(269,555)	136,286	(226,925)
Capital contributions	302,510	39,810	126,858
Extraordinary item	9,156	32,776	-
Change in net assets	\$ 42,111	\$ 208,872	\$ (100,067)

Operating revenues consist of user charges for water consumption. Operating expenses reflect the cost of providing these services. For the year ended December 31, 2008:

- Operating revenue decreased by \$68,951 (2.08%) and increased by \$277,860 (9.14%) in 2008 and 2007 respectively.
- Non-operating revenues decreased by \$236,417 (48.40%) due to decrease in tap fee revenue and lack of grant revenue and increased by \$129,600 (36.11%) due to a grant received in 2007.
- Operating expenses increased by \$72,836 (2.44%) due to an increase in depreciation and operational expenses in 2008 and \$134,239 (4.71%) in 2007 due to an increase in depreciation and maintenance of capital assets. Total expenses increased by \$100,473 (2.74%) and \$44,249 (1.22%) in 2008 and 2007 respectively.

Adams County Regional Water District
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Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2008 and 2007

Capital contributions from customers increased by \$262,700 (659.88%) in 2008 and decreased \$87,048 (68.62%) in 2007. These contributions are provided by customers and grants from various agencies and are used to help cover the costs of line extensions.

Capital Assets

As of December 31, 2008 and 2007, respectfully, the District had \$16,237,731 and \$16,384,694 invested in capital assets. This amount represents a net decrease of \$146,963 (0.90%) in 2008 and \$633,824 (3.7%) 2007.

Table 3
Capital Assets
December 31,

	2008	2007	2006
Land and improvements	\$ 834,640	\$ 442,904	\$ 442,904
Construction in progress	93,388	370,867	55,953
Buildings	519,670	515,125	508,540
Wells and wellfield improvements	1,335,217	1,335,217	1,335,217
Mains, lines and meters	24,831,406	24,086,937	23,873,700
Storage tanks	2,207,564	2,035,404	1,943,455
Water treatment & other equipment	1,299,811	1,193,943	1,182,888
Less: Accumulated depreciation	(14,883,965)	(13,595,703)	(12,324,139)
Totals	\$ 16,237,731	\$ 16,384,694	\$ 17,018,518

Major additions in 2008 and 2007
at cost included:

Line extension	\$ 744,469	\$ 213,238	\$ 245,883
Coon Hill Tank Rehab	-	-	235,400
Heidi Lane Booster Station	-	-	46,948
Generator	-	-	16,391
Clayton Tank Rehab	-	91,949	-
Land – 130.59 Acres on US 52	391,736	-	-
	\$ 1,136,205	\$ 305,187	\$ 544,622

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, 2008, the District had total debt outstanding of \$13,695,207 compared to \$14,318,756 at December 31, 2007 and \$14,914,405 at December 31, 2006. This represents a decrease of \$623,549 and \$595,649, respectfully from payments on principal of the debt.

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

Economic Factors and 2008 Budget

Adams County Regional Water District increased service rates, which went into effect on January 1, 2005. A retail and wholesale rate increase is scheduled for 2009 to meet operating costs.

Adams County Regional Water District
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Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2008 and 2007

Economic Factors and 2008 Budget (continued)

The service area of the District continues to grow. Eighty residential tap fees were paid in 2008, as well as a 6" commercial tap and a 6" regulated fire flow tap. The number of water taps is down considerably from past years due to the economic crisis, especially in the housing industry. The District is encouraging more rural customers to come on line by allowing the customers, should an extension be feasible, to pay for the material costs of a line extension over a period of several years as a facility charge on their monthly bill. Approximately two hundred-fifty taps are expected in the next two years, due in big part to a proposed water line extension in the Lawshe/Louisville road areas. Should the economy improve, more taps can be anticipated.

Improvements made in the District during 2008 included the purchase of 130.59 acres along US 52, the exterior and interior painting of the District's 100,000-gallon Winchester Tank, the exterior painting of the water treatment plant's 50,000-gallon red water tank, the finalizing of a water line extension in the Coffee Hollow area, the construction of a 12" water line extension to serve the Village of Seaman, the Adams County Regional Medical Center, the new elementary school building, as well as future expansion in this area, a small line extension on SR 73, and an upgrade to the District's billing system.

The operating budget for 2009 is \$3,521,506, which is \$601,092 less than the 2008 budget as the 2008 budget consisted of many capital improvements that lowered the District's cash reserves. Capital improvements scheduled for 2009 include an upgrade to the District's water lines in the Unity Road area, a possible line extension across Ebrite Road to improve the available water in the Eckmansville Road area, the demolition of two water tanks, upgrades to various pits in the system, small customer-funded line extensions, the purchase of three trucks, and various other purchases to improve the operations of the District. A major water line extension is planned in the Lawshe/Louisville road areas and funding is being sought. The 2009 budget is scheduled to build up cash reserves by approximately \$200,000 in anticipation of additional debt service for this project.

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 Judy Rogers, Assistant General Manager, Adams County Regional Water District, 9203 St. Rt. 136, West Union, Ohio 45693.

Adams County Regional Water District
Statements of Net Assets
December 31, 2008 and 2007

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,301,654	\$ 1,729,667
Certificates of deposit	1,819,453	1,505,980
Accounts receivable:		
Customers, net of allowance for doubtful accounts of \$11,201	467,904	447,207
Other receivables	16,420	381
Accrued interest receivable	12,163	50,882
Inventories	248,809	215,450
Prepaid expenses	49,187	49,774
Total current assets	3,915,590	3,999,341
NONCURRENT ASSETS		
Restricted cash and certificates of deposit	206,004	383,387
Deferred costs, net	47,207	50,654
Total noncurrent assets	253,211	434,041
CAPITAL ASSETS (at cost)		
Non depreciable capital assets		
Land	785,396	393,660
Construction in progress	93,388	370,867
Total non depreciable assets	878,784	764,527
Depreciable capital assets		
Land and land improvements	49,244	49,244
Buildings	519,670	515,125
Wells and wellfield improvements	1,335,217	1,335,217
Mains, lines and meters	24,831,406	24,086,937
Storage tanks	2,207,564	2,035,404
Water treatment and plant equipment	288,708	288,708
Trucks, tractors and radio equipment	899,180	819,349
Office furniture and equipment	111,923	85,886
Less: accumulated depreciation	(14,883,965)	(13,595,703)
Total depreciable capital assets	15,358,947	15,620,167
Total capital assets (net of depreciation)	16,237,731	16,384,694
Total noncurrent assets	16,490,942	16,818,735
Total assets	\$ 20,406,532	\$ 20,818,076

(Continued)

See accompanying notes to the basic financial statements

Adams County Regional Water District
Statements of Net Assets
December 31, 2008 and 2007

	2008	2007
CURRENT LIABILITIES		
Accounts payable	\$ 196,395	\$ 66,869
Accrued expenses	252,228	231,467
Accrued interest	274,936	288,829
Current portion of long-term debt	562,442	623,549
Customer deposits	88,850	55,350
Total current liabilities	1,374,851	1,266,064
LONG-TERM DEBT, less current portion	13,132,765	13,695,207
Total Liabilities	14,507,616	14,961,271
NET ASSETS		
Invested in capital assets, net of debt service	2,542,524	2,065,938
Restricted for debt service	206,004	383,387
Unrestricted net assets	3,150,388	3,407,480
Total net assets	\$ 5,898,916	\$ 5,856,805

See accompanying notes to the basic financial statements.

Adams County Regional Water District
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2008 and 2007

	2008	2007
OPERATING REVENUES		
Sales to customers	\$ 2,399,659	\$ 2,454,375
Sales to public authorities	744,434	759,957
Other revenues	103,774	102,486
Total operating revenues	<u>3,247,867</u>	<u>3,316,818</u>
OPERATING EXPENSES		
Salaries	735,616	737,890
Utilities	244,628	256,555
Depreciation expense	1,288,262	1,271,564
Amortization expense	3,446	3,186
Repairs	136,230	124,616
Truck expense	57,911	49,838
Supplies	35,654	22,879
Pension expense	131,584	127,652
Payroll taxes	59,601	26,812
Insurance	226,463	213,486
Office supplies and postage	33,997	28,932
Legal and engineering fees	4,134	3,855
Accounting fees	18,383	14,046
Director fees	26,400	30,650
Advertising	2,162	2,652
Bank charges	-	-
Bad debt expense	360	21
Other expenses	53,192	70,553
Total operating expenses	<u>3,058,023</u>	<u>2,985,187</u>
OPERATING INCOME	189,844	331,631
NONOPERATING REVENUES (EXPENSES)		
Tap fee revenue	154,900	187,200
Grant Revenue	-	150,000
Interest income	97,153	151,270
Interest expense	(711,452)	(683,815)
Loss on Disposal of Assets	-	-
Total nonoperating revenues (expenses)	<u>(459,399)</u>	<u>(195,345)</u>
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(269,555)	136,286
CAPITAL CONTRIBUTIONS	<u>302,510</u>	<u>39,810</u>
INCOME(LOSS) BEFORE EXTRAORDINARY ITEM	32,955	176,096
INSURANCE PROCEEDS FROM FIRE LOSS	9,156	32,776
CHANGE IN NET ASSETS	42,111	208,872
NET ASSETS - BEGINNING OF YEAR	<u>5,856,805</u>	<u>5,647,933</u>
NET ASSETS - END OF YEAR	<u>\$ 5,898,916</u>	<u>\$ 5,856,805</u>

See accompanying notes to the basic financial statements.

Adams County Regional Water District
Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 3,244,631	\$ 3,311,438
Cash payments to employees for services	(735,616)	(737,890)
Cash payments to suppliers for goods and services	(1,046,035)	(904,906)
Net Cash Provided By Operating Activities	1,462,980	1,668,642
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income on investments	135,872	144,722
Net Cash Provided By Investing Activities	135,872	144,722
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of operating facilities, including		
construction in progress and capitalized interest	(774,776)	(834,997)
Members tap fees	154,900	187,200
Insurance Proceeds	9,156	32,776
Grant Revenue	0	150,000
Payments on long term debt obligations	(623,549)	(595,649)
Proceeds from construction contributions	68,839	39,810
Interest paid on long term debt obligations	(725,345)	(753,479)
Net Cash Used In Capital and Related Financing Activities	(1,890,775)	(1,774,339)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(291,923)	39,025
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,619,034	3,580,009
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,327,111	\$ 3,619,034
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 189,844	\$ 371,086
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,288,262	1,288,262
Amortization	3,446	3,186
Changes in assets and liabilities:		
Accounts receivable, customers and other	(36,736)	(30,980)
Inventories	(33,359)	36,713
Prepaid expenses	587	9,319
Accounts payable and other accrued expenses-excluding capital asset additions	17,436	21,610
Customer deposits	33,500	25,600
Net Cash Provided by Operating Activities	\$ 1,462,980	\$ 1,724,796

See accompanying notes to the basic financial statements.

Adams County Regional Water District
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

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 members in Adams 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 District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The District has elected not to follow FASB guidance issued after November 30, 1989.

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 assets, 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).

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 assets. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; 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.

Adams County Regional Water District
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) 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.

(c) Inventories

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

(d) 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.

(e) Capital Assets

Capital assets are stated at cost. Construction period interest is capitalized as part of construction costs. During the years ended December 31, 2008 and 2007, no interest was capitalized. 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.

(f) 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

(g) 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.

(h) 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 certified to the county Auditor after administrative collection efforts have been exhausted.

Adams County Regional Water District
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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 assets available, it is the District's policy to apply those expenses to unrestricted net assets to the extent such are available and then to restricted net assets.

(j) Net Assets

Net assets comprise the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net assets are classified in the following three components:

Invested in capital assets, net of related debt – This component of net assets 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 invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets 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 assets – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital, net of related debt."

Of the District's \$206,004 in restricted net assets, none were restricted by enabling legislation.

(k) 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

Adams County Regional Water District
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Note 3. 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 4. LONG-TERM DEBT

On April 21, 1999, the District issued \$2,639,424, of which \$645,400 were reported in 2008, 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.

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

	<u>Amount of Original Issue</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>
\$	322,095	2034	4.50%
	242,304	2015	5.00%
	987,342	2019	5.00%
	246,725	2018	5.00%
	195,658	2023	6.50%
	144,000	2015	4.25%

The annual debt service requirements to maturity, including principal and interest for long-term debt as of December 31, 2008, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 562,442	\$ 695,696	\$ 1,258,138
2010	589,000	668,974	1,257,974
2011	617,193	640,783	1,257,976
2012	647,297	611,023	1,258,320
2013	678,293	579,588	1,257,881
2014-2018	3,805,572	2,366,848	6,172,420
2019-2023	4,335,398	1,347,199	5,682,597
2024-2028	2,365,812	259,638	2,625,450
2029-2033	76,700	14,594	91,294
2034	17,500	787	18,287
Total	<u>\$ 13,695,207</u>	<u>\$ 7,185,130</u>	<u>\$ 20,880,337</u>

Adams County Regional Water District
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Note 4. LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term debt for the year ended December 31, 2008:

	Balance			Balance	Due Within
	<u>12/31/07</u>	<u>Additions</u>	<u>Payments</u>	<u>12/31/08</u>	<u>One Year</u>
1999 water revenue refunding bonds	\$1,511,500	\$ -	\$ 166,900	\$1,344,600	\$ 84,600
2007 water revenue refunding bond	119,800		12,900	106,900	13,400
Note payable OWDA, payable in semiannual installments of \$342,839 starting January 1, 2002, including interest at 6.39%, due July, 2026.	7,482,680		210,851	7,271,829	224,539
Note payable OWDA, payable in semiannual installments of \$66,981 starting Jan. 1, 2000, including interest at 2%, due July, 2024.	1,914,594		95,670	1,818,924	97,584
Note payable OWDA, payable in 50 semiannual installments of \$54,013 starting Jan. 1, 2000, including interest at 5.86%, due July, 2024.	1,142,734		41,062	1,101,672	43,468
Note payable OWDA, payable in 50 semiannual installments of \$25,260, starting July 1, 2000, including interest at 5.56%, due January, 2025.	560,624		19,618	541,006	20,724
Note payable OWDA, payable in 50 semiannual installments of \$53,061, starting July 1, 2000, including interest at 2%, due January, 2025.	1,553,859		75,045	1,478,814	76,546
Note payable OWDA, payable in 40 semiannual installments of \$1,591, starting July 1, 2003, including interest at 5.15%, due January, 2022.	32,965		1,503	31,462	1,581
	<u>\$14,318,756</u>	<u>\$ 0</u>	<u>\$ 623,549</u>	<u>\$13,695,207</u>	<u>\$ 562,442</u>

Adams County Regional Water District
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Note 4. LONG-TERM DEBT (Continued)

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 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, 2008 and 2007 was \$206,006 and \$383,387 respectively. This amount equaled the required reserve.

Note 5. CAPITAL CONTRIBUTIONS

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

Note 6. 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, which are not needed for immediate use but which 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, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Adams County Regional Water District
Adams County
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For the Years Ended December 31, 2008 and 2007

Note 6. 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.

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, 2008 and 2007, the District had \$149 and \$182 respectively, in undeposited cash on hand which is included on the statement of net assets of the District as part of "cash and cash equivalents".

Adams County Regional Water District
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Note 6. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)

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, 2008 and 2007 were \$3,326,962 and \$3,764,178, respectively.

Of the bank balances at December 31, 2008 and 2007 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.

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 7. POST-EMPLOYMENT BENEFITS

A. Plan Description

Public Employees Retirement of Ohio (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

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.

Adams County Regional Water District
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For the Years Ended December 31, 2008 and 2007

Note 7. POST-EMPLOYMENT BENEFITS (Continued)

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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 benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employers contributed at 17.40%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB plan.

C. Information from employer's records

The rates stated in Section B, above, are the contractually required contribution rates for OPERS. As part of the disclosure, it will be necessary for the employer to disclose the employer contributions actually made to fund post-employment benefits can be approximated by multiplying actual employer contributions for January 1 through December 31, 2008 by 0.5000 for state and local employers and 0.4023 for both law enforcement and public safety employers.

D. OPERS Retirement Board Implements its Health Care Preservation Plan

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

Note 8. PENSION BENEFITS

Ohio Public Employees Retirement System (OPERS)

- A.** Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

Adams County Regional Water District
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NOTE 8. PENSION BENEFITS (Continued)

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the TP and the CO 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 No. 45.

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

OPERS issues a stand-alone financial report. Interest parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

- B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer's contributions are expressed as a percentage of the covered payroll of active members. In 2008, the District contributed at 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14.0% of covered payroll. 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 Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the employer contributions allocated to the health care plan was 7.0% of covered payroll. For 2007, these percentages were 5.0% for January through June 2007 and 6.0% for July through December 2007. For 2006, this percentage was 4.5%. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits were \$110,619 for 2008, \$127,680 for 2007, and \$116,624 for 2006.
- D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Adams County Regional Water District
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Note 9. 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 10. 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, 2008 and 2007 were \$189,325 and \$194,370 respectively.

Note 11. ECONOMIC DEPENDENCY

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

Note 12. 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.

Note 13. 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.

Adams County Regional Water District
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Note 14. CAPITAL ASSETS

The balance of capital assets at December 31, 2008 consists of the following:

	<u>Balance 12/31/07</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance 12/31/08</u>
Non-depreciable Capital assets				
Land	\$ 393,660	\$ 391,736	\$ -	\$ 785,396
Construction in progress	370,867	366,260	(643,739)	93,388
Total non-depreciable capital assets	<u>764,527</u>	<u>757,996</u>	<u>(643,739)</u>	<u>878,784</u>
Depreciable capital assets				
Land improvements	49,244	-	-	49,244
Buildings	515,125	4,545	-	519,670
Wells and wellfield improvements	1,335,217	-	-	1,335,217
Mains, lines and meters	24,086,937	744,469	-	24,831,406
Storage tanks	2,035,404	172,160	-	2,207,564
Water treatment and plant equipment	288,708	-	-	288,708
Trucks, tractors and radio equipment	819,349	79,831	-	899,180
Office furniture and equipment	85,886	26,037	-	111,923
Total depreciable capital assets	<u>29,215,870</u>	<u>1,027,042</u>	<u>-</u>	<u>30,242,912</u>
Accumulated depreciation				
Land improvements	(20,540)	(2,411)	-	(22,951)
Buildings	(254,575)	(15,663)	-	(270,238)
Wells and wellfield improvements	(1,108,727)	(29,635)	-	(1,138,362)
Mains, lines and meters	(10,218,414)	(1,033,998)	-	(11,252,412)
Storage tanks	(1,003,984)	(140,283)	-	(1,144,267)
Water treatment and plant equipment	(262,686)	(4,645)	-	(267,331)
Trucks, tractors and radio equipment	(663,791)	(52,497)	-	(716,288)
Office furniture and equipment	(62,986)	(9,130)	-	(72,116)
Total accumulated depreciation	<u>(13,595,703)</u>	<u>(1,288,262)</u>	<u>-</u>	<u>(14,883,965)</u>
Total	<u><u>16,384,694</u></u>	<u><u>496,776</u></u>	<u><u>(643,739)</u></u>	<u><u>16,237,731</u></u>

Note 15. DEFERRED COSTS

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

Note 16. ADVERTISING COSTS

The District expenses advertising costs as incurred. Advertising expenses amounted to \$2,162 and \$2,652 in 2008 and 2007 respectively.

Adams County Regional Water District
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Note 17. INSURANCE PROCEEDS

On July 17, 2007 a barn located on the District's well field property burned. The barn's book value at the time of the fire was zero (-0-). The District received insurance recoveries of \$9,156 and \$32,776 in 2008 and 2007 respectively. The recovery is reported as a separate line item on the Statement of Revenues, Expenses and Changes in Net Assets.

Note 18. NON CASH FINANCING ACTIVITIES

In 2008 the Adams County Commissioners received an Ohio Public Works Grant to install a 12" water line in the Seaman area.

Upon completion of the project, the Commissioners transferred the line to the District to maintain.

Capital Contributions include \$233,671 due to the expenses paid by the Commissioners before the transfer of the line.

Note 19. SUBSEQUENT EVENTS

On January 30, 2009 the water district was approved for a \$425,000 Grant/Loan from The Ohio Public Works Commission for the Lawshe Road Water Line project. The District expects to advertise for bid around November 2009 and break ground in 2010.

Note 20. CHANGE IN ACCOUNTING PRINCIPALS

For the years ended December 31, 2008, the District implemented GASB Statement No. 50 "Pension Disclosures-an amendment of GASB Statement No. 25 and No. 27, and GASB Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and , in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. GASB Statement 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employees. The application of these new standards did not require a restatement of prior year balances.

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Ohio Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the business-type activities of Adams County Regional Water District, Adams County, (the District) as of and for the years ended December 31, 2008 and 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 17, 2009, in which we indicated the District implemented Governmental Accounts Standards Board statement No. 50 and 45. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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, providing an opinion 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*.

We intend this report solely for the information and use of the management and the board of trustees. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
April 17, 2009



Mary Taylor, CPA
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
JUNE 18, 2009**