



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, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Adams County Regional Water District, Adams County, Ohio, as of December 31, 2012 and 2011, 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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Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2012 the Adams County Regional Water District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Pre November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

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 28, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

May 28, 2013

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

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, 2012. 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 \$6,417,065 and \$6,555,407 as of December 31, 2012 and 2011 respectively.
- Net position decreased by \$138,342 and increased by \$13,028 in 2012 and 2011 respectively.
- Operating revenues increased by \$187,663 (5.33%) and decreased by \$111,869 (3.08%) and operating and maintenance expenses increased by \$165,502 (5.08%) and \$18,383 (0.57%) in 2012 and 2011 respectively.
- Retirement of debt principal totaled \$787,788 and \$628,393 for 2012 and 2011 respectively and additions to debt principal totaled \$-0- for 2012 and \$909,713 for 2011.

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.

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.

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

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 2012, 2011, and 2010 respectively.

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

	2012	2011	2010
<u>Assets</u>			
Current & other assets	\$ 4,709,292	\$ 4,859,825	\$ 5,050,667
Capital assets, net	14,277,828	15,107,132	14,719,695
Total assets	18,987,120	19,966,957	19,770,362
<u>Liabilities</u>			
Current liabilities	1,220,641	1,251,053	1,301,411
Long-term debt	11,349,414	12,160,497	11,926,572
Total liabilities	12,570,055	13,411,550	13,227,983
<u>Net Position</u>			
Invested in capital assets, net of related debt	1,988,209	2,007,714	2,175,930
Restricted for debt service	218,900	237,465	202,701
Unrestricted	4,209,956	4,310,228	4,163,748
Total net position	\$ 6,417,065	\$ 6,555,407	\$ 6,542,379

As noted earlier, the net position may serve as a useful indicator of financial position. The District's assets exceeded liabilities by \$6,417,065 as of December 31, 2012, of which \$1,988,209 is for net investment in capital assets; compared to an excess of \$6,555,407 as of December 31, 2011.

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, 2012 and 2011 respectively, total assets of the District decreased by \$979,837 and increased by \$196,595 due to early retirement of debt, additional construction and depreciation of capital assets. Total liabilities as of December 31, 2012 and 2011 decreased by \$841,495 and \$183,567 respectfully due mainly to retirement of debt.

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

The following table summarizes the changes in revenues and expenses for the District between 2012, 2011, and 2010:

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Operating revenue</u>			
Sales to customers	\$ 2,780,097	2,626,687	2,691,137
Sales to public authorities	788,450	763,699	822,868
Other revenues	137,422	127,920	116,170
Total operating revenue	<u>3,705,969</u>	<u>3,518,306</u>	<u>3,630,175</u>
<u>Non operating revenue</u>			
Tap fee revenue	88,300	182,800	193,600
Grant revenue	-0-	135,966	754,034
Interest income	31,076	43,361	52,677
Gain on disposal of assets	48,007	-0-	-0-
Total non operating revenue	<u>167,383</u>	<u>362,127</u>	<u>1,000,311</u>
Total revenue	<u>3,873,352</u>	<u>3,880,433</u>	<u>4,630,486</u>
<u>Operating expenses</u>			
Operations	1,829,538	1,758,397	1,732,839
Maintenance	230,710	232,316	237,462
Depreciation	1,363,699	1,267,732	1,269,761
Total operating expenses	<u>3,423,947</u>	<u>3,258,445</u>	<u>3,240,062</u>
<u>Non operating expenses</u>			
Interest expense	611,046	638,227	657,472
Loss on disposal of assets	-0-	332	7,354
Total non operating expenses	<u>611,046</u>	<u>638,559</u>	<u>664,826</u>
Total expenses	<u>4,034,993</u>	<u>3,897,004</u>	<u>3,904,888</u>
<u>Income (Loss) before contributions & extraordinary item</u>			
	(161,641)	(16,571)	725,598
Capital contributions			
	23,299	26,427	11,334
Extraordinary item			
	-0-	3,172	-0-
Change in net position	<u>\$ (138,342)</u>	<u>\$ 13,028</u>	<u>\$ 736,932</u>

Operating revenues consist of user charges for water consumption. Operating expenses reflect the cost of providing these services. For the year ended December 31, 2012:

- Operating revenue increased \$187,663 (5.33%) and decreased \$111,869 (3.08%) in 2012 and 2011 respectively.
- Non-operating revenues decreased by \$194,744 (53.78%) and \$638,184 (63.80%) due to a decrease in grant revenue in 2012 and 2011 respectively.
- Operating expenses increased by \$165,502 (5.08%) and \$18,383 (0.57%) due to an increase in salaries, utilities, and insurance in 2012 and 2011 respectively. Total expenses increased by \$137,989 (3.54%) and decreased by \$7,884 (0.20%) in 2012 and 2011 respectively.

**ADAMS COUNTY REGIONAL WATER DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Capital contributions from customers decreased by \$3,128 (11.84%) and increased by \$15,093 (133.17%) in 2012 and 2011 respectively. 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, 2012 and 2011 respectively, the District had \$14,025,506 and \$14,832,798 invested in capital assets. This amount represents a net decrease of \$807,292 (5.44%) in 2012 and net increase of \$113,103 (0.77%) in 2011.

**Table 3
Capital Assets
December 31,**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Land and improvements	\$ 861,907	\$ 840,524	\$ 840,524
Construction in progress	100,967	53,150	762,274
Buildings	548,884	546,784	542,065
Wells and wellfield improvements	1,554,805	1,383,894	1,349,295
Mains, lines, and meters	27,180,602	26,969,733	25,049,282
Storage tanks	2,117,715	2,117,715	2,114,545
Water treatment & other equipment	1,513,886	1,529,865	1,410,921
Less: Accumulated depreciation	(19,853,260)	(18,608,867)	(17,349,211)
Totals	<u>\$14,025,506</u>	<u>\$14,832,798</u>	<u>\$14,719,695</u>

Major additions in 2012, 2011, and 2010 at cost included:

Line extension	\$ -0-	\$ -0-	\$ 134,241
Lawshe Road Water line extension	-0-	1,589,697	-0-
Pump and motor rebuilds	148,486	-0-	-0-
AMR meters installation	44,114	228,750	-0-
	<u>\$ 192,600</u>	<u>\$ 1,818,447</u>	<u>\$ 134,241</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, 2012, the District had total debt outstanding of \$12,037,297 compared to \$12,825,084 at December 31, 2011. This represents a net decrease in 2012, of \$787,788 due to early extinguishment of debt and principal payments on debt and a net increase in 2011 of \$281,319, due to new borrowings and from 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
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Economic Factors and 2013 Budget

Adams County Regional Water District water rates remained at the same level as 2009 with the minimum rate of \$19.00 for the first 1500 gallons and \$6.00 per thousand thereafter for a 5/8" tap. Rates for bigger-sized taps and wholesale rates also remained at the 2009 level. The District is scheduled to raise rates beginning with water bills due in January 2013. The minimum rate for a 5/8" tap will be \$20.00 for the first 1000 gallons and \$6.50 per thousand thereafter. Bigger-sized tap rates will increase accordingly. Wholesale rates are expected to increase to \$3.35 per thousand in July 2013.

The number of water taps sold by the District has been declining in recent years due to the economic crisis the country has been facing, and 2012 was no exception. A total of sixty-seven taps were sold. The District anticipates selling sixty-six taps on existing lines in 2013. The Sunshine Ridge Water Line Extension should bring an additional thirty to forty taps into the system.

Improvements made in the District during 2012 included small line extensions on Graces Run Road, Seaman Road, and Ellis Run Road. Upgrades were made to the water line on Unity Road, the creek crossing at Ellsberry, the District's monitoring and telemetry equipment, and the radio communications system. Several repairs and upgrades to the District's buildings and grounds were completed. Six pumps and motors were refurbished for the well field. Various pieces of equipment and tools were purchased for use in the daily operation of the District. The District continued its program of changing meters to an automatic reading system.

The operating budget for 2013 is \$3,924,205. Capital improvements scheduled for 2013 include some possible small line extensions, as well as continuing a meter change-out program to install automatic read meters, and the continuation of building a geographical information system (GIS). Other planned improvements are the building of equipment sheds at the office complex and water treatment plant, an upgrade to the security and camera system at the business office complex, some renovations at the water treatment plant, the purchase of some accessories for the District's excavators, and various computers and software as needed.

The Sunshine Ridge Water Line Extension will become a reality in 2013 with various funding sources of grants and loans being finalized. The project will be administered by the Adams County Commissioners on behalf of the District. The estimated cost of the project is \$1,154,000 and will serve approximately forty customers.

The District is currently seeking funding for the Bettys Creek/Peach Mountain Water Line Extension project and hopes to secure the funding for construction in 2014.

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.

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**ADAMS COUNTY REGIONAL WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2012 AND 2011**

	ASSETS	
	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,366,529	\$ 2,658,990
Certificates of deposit	1,358,029	1,306,060
Accounts receivable:		
Customers, net of allowance for doubtful accounts of \$11,201	595,831	497,394
Other receivables	9,345	14,647
Accrued interest receivable	19,421	12,343
Inventories	319,452	328,759
Prepaid expenses	40,685	41,632
Total current assets	<u>4,709,292</u>	<u>4,859,825</u>
NON CURRENT ASSETS		
Restricted cash and certificates of deposit	218,900	237,465
Deferred costs, net	33,422	36,869
CAPITAL ASSETS (at cost)		
Non depreciable capital assets		
Land	785,396	785,396
Construction in progress	100,967	53,150
Total non depreciable assets	<u>886,363</u>	<u>838,546</u>
Depreciable capital assets		
Land and land improvements	76,511	55,128
Buildings	548,884	546,784
Wells and wellfield improvements	1,554,805	1,383,894
Mains, lines and meters	27,180,602	26,969,733
Storage tanks	2,117,715	2,117,715
Water treatment and plant equipment	324,231	324,231
Trucks, tractors and radio equipment	1,063,022	1,077,851
Office furniture and equipment	126,633	127,783
Less: accumulated depreciation	<u>(19,853,260)</u>	<u>(18,608,867)</u>
Total depreciable capital assets	<u>13,139,143</u>	<u>13,994,252</u>
Total capital assets (net of depreciation)	<u>14,025,506</u>	<u>14,832,798</u>
Total non current assets	<u>14,277,828</u>	<u>15,107,132</u>
TOTAL ASSETS	<u>\$ 18,987,120</u>	<u>\$ 19,966,957</u>

The notes to the financial statements are an integral part of this statement

**ADAMS COUNTY REGIONAL WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
CURRENT LIABILITIES		
Accounts payable	\$ 40,381	\$ 38,214
Accrued expenses	233,555	279,256
Accrued interest	231,472	244,446
Current portion of long-term debt	687,883	664,587
Customer deposits	<u>27,350</u>	<u>24,550</u>
Total current liabilities	1,220,641	1,251,053
LONG-TERM DEBT, less current portion	<u>11,349,414</u>	<u>12,160,497</u>
Total liabilities	<u>12,570,055</u>	<u>13,411,550</u>
NET POSITION		
Net investment in capital assets	1,988,209	2,007,714
Restricted for debt service	218,900	237,465
Unrestricted net position	<u>4,209,956</u>	<u>4,310,228</u>
Total net position	<u>\$ 6,417,065</u>	<u>\$ 6,555,407</u>

The notes to the financial statements are an integral part of this statement

**ADAMS COUNTY REGIONAL WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE PERIODS ENDING DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Sales to customers	\$ 2,780,097	\$ 2,626,687
Sales to public authorities	788,450	763,699
Other revenues	137,422	127,920
Total operating revenues	3,705,969	3,518,306
OPERATING EXPENSES		
Salaries	849,200	832,611
Utilities	316,734	294,286
Depreciation expense	1,363,699	1,267,732
Amortization expense	3,446	3,446
Repairs	172,988	174,990
Truck expense	57,722	57,326
Supplies	34,929	38,024
Pension expense	143,764	144,304
Payroll taxes	29,557	30,195
Insurance	44,535	44,251
Insurance-health and life	269,981	241,249
Office supplies and postage	33,322	31,358
Legal and engineering fees	4,710	2,775
Accounting fees	21,714	15,932
Director fees	25,650	22,275
Advertising	2,490	2,477
Bank charges	24	15
Bad debt expense	259	898
Other expenses	49,223	54,301
Total operating expenses	3,423,947	3,258,445
OPERATING INCOME (LOSS)	282,022	259,861
NON OPERATING REVENUES (EXPENSES)		
Tap fee revenue	88,300	182,800
Grant revenue	-	135,966
Interest income	31,076	43,361
Interest expense	(611,046)	(638,227)
Gain (Loss) on Disposal of Assets	48,007	(332)
Total non operating revenues (expenses)	(443,663)	(276,432)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND EXTRAORDINARY ITEM	(161,641)	(16,571)

The notes to the financial statements are an integral part of this statement

**ADAMS COUNTY REGIONAL WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE PERIODS ENDING DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
CAPITAL CONTRIBUTIONS	<u>23,299</u>	<u>26,427</u>
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(138,342)	9,856
INSURANCE PROCEEDS FROM FIRE LOSS	<u>-</u>	<u>3,172</u>
INCREASE (DECREASE) IN NET POSITION	(138,342)	13,028
NET POSITION		
Beginning of year	6,555,407	6,542,379
End of year	<u>\$ 6,417,065</u>	<u>\$ 6,555,407</u>

The notes to the financial statements are an integral part of this statement

**ADAMS COUNTY REGIONAL WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 3,603,241	\$ 3,475,527
Cash payments to employees for services	(849,200)	(832,611)
Cash payments to suppliers for goods and services	<u>(1,240,880)</u>	<u>(1,224,550)</u>
Net Cash Used In Operating Activities	1,513,161	1,418,366
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income on investments	<u>23,997</u>	<u>81,704</u>
Net Cash Provided By Investing Activities	23,997	81,704
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of operating facilities, including construction in progress and capitalized interest	(544,012)	(1,382,470)
Members' tap fees	88,300	182,800
Borrowings on long term obligations	-	909,713
Insurance proceeds	-	3,172
Grant revenue	-	135,966
Proceeds from sale of assets	48,007	1,300
Payments on long term debt obligations	(787,788)	(628,393)
Proceeds from construction contributions	23,299	26,427
Interest paid on long term debt obligations	<u>(624,021)</u>	<u>(645,955)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(1,796,215)</u>	<u>(1,397,440)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(259,057)	102,630
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>4,202,515</u>	<u>4,099,885</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 3,943,458</u></u>	<u><u>\$ 4,202,515</u></u>

The notes to the financial statements are an integral part of this statement

**ADAMS COUNTY REGIONAL WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF OPERATING INCOME TO		
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 282,022	\$ 259,861
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,363,699	1,267,732
Amortization	3,446	3,446
Contribution of meter readers	(12,395)	-
Changes in assets and liabilities:		
Accounts receivable, customers and other	(93,133)	28,621
Inventories	9,307	(50,186)
Prepaid expenses	947	(1,086)
Accounts payable and other accrued expenses	(43,532)	(18,622)
Customer deposits	2,800	(71,400)
	<u>1,513,161</u>	<u>1,418,366</u>
Net Cash Provided by Operating Activities	\$ 1,513,161	\$ 1,418,366

The notes to the financial statements are an integral part of this statement

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of Presentation and Accounting (Continued)

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 position. Net position (i.e., total assets net of total liabilities) is segregated into net investment 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.

(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.

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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, 2012 and 2011, the District capitalized \$4,217 and \$-0- 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.

(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 charged against the allowance when management believes the collectability of the account is unlikely.

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

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 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.

(j) 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 invested in capital assets, net of related debt. 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 \$218,900 during 2012 and \$237,465 during 2011 in restricted net position, none were restricted by enabling legislation.

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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

Note 3.. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2012, the Water District has implemented Governmental Accounting Standard Board (GASB) Statement No. 62, *Codification of Pre November 30, 1989 FASB and AICPA Pronouncements*, and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in Paragraph 7 of that statement for business-type activities to apply post-November 30, 1989, FASB statements and interpretations that do not conflict with or contradict GASB pronouncements. GASB Statement No. 62 has been applied retrospectively and had no impact on the District's net position, changes in net position or financial reporting disclosures.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related not disclosures. These changes were incorporated in the Water District's fiscal year 2012 financial statements; however, there was no effect on beginning net position/fund balance.

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

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 5.

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 Lawhe Road Waterline Extension. The District borrowed \$173,713 from the Ohio Public Works Commission. The loan has a -0-% interest rate and with 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. 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.

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 5. LONG-TERM DEBT (Continued)

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

	Amount of Original Issue	Final Maturity Date	Interest Rate
\$	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%
\$	173,713	2041	0.00%

The annual debt service requirements to maturity, including principal and interest for long-term debt as of December 31, 2012, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 687,883	\$ 588,521	\$ 1,276,404
2014	720,955	555,587	1,276,542
2015	755,995	520,809	1,276,804
2016	752,697	484,117	1,236,814
2017	789,967	447,139	1,237,106
2018-2022	4,254,206	1,621,251	5,875,457
2023-2027	3,382,728	499,598	3,882,326
2028-2032	190,052	73,765	263,817
2033-2037	161,752	47,233	208,985
2038-2042	134,162	32,619	166,781
2043-2047	124,700	18,796	143,496
2048-2050	82,200	3,938	86,138
Total	<u>\$ 12,037,297</u>	<u>\$ 4,893,373</u>	<u>\$ 16,930,670</u>

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

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, 2011, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 664,587	\$ 628,285	\$ 1,292,872
2013	695,884	596,529	1,292,413
2014	729,455	563,075	1,292,530
2015	765,095	527,744	1,292,839
2016	762,397	490,461	1,252,858
2017-2021	4,201,906	1,850,548	6,052,454
2022-2026	4,277,804	723,930	5,001,734
2027-2031	184,952	78,936	263,888
2032-2036	175,552	51,809	227,361
2037-2041	137,252	35,192	172,444
2042-2046	121,900	21,691	143,591
2047-2050	108,300	5,845	114,145
Total	<u>\$ 12,825,084</u>	<u>\$ 5,574,045</u>	<u>\$ 18,399,129</u>

The following is a summary of changes in long-term debt for the year ended December 31, 2012:

	<u>Balance 12/31/11</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/12</u>	<u>Due Within One Year</u>
1999 water revenue refunding bonds	\$ 1,078,100	\$ -	\$ 221,400	\$ 856,700	94,900
2005 water revenue refunding bond	64,900	-	15,300	49,600	15,800
2011 water resource revenue bond	724,800	-	11,500	713,300	11,800
Note payable OWDA, payable in semiannual installments of \$342,839 starting January 1, 2002, including interest at 6.39%, due July, 2026.	6,553,534	-	271,171	6,282,363	288,776

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 5. LONG-TERM DEBT (Continued)

	<u>Balance 12/31/11</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/12</u>	<u>Due Within One Year</u>
Note payable OWDA, payable in semiannual installments of \$66,981 starting Jan. 1, 2000, including interest at 2%, due July, 2024.	1,520,279	-	103,556	1,416,723	105,628
Note payable OWDA, payable in 50 semiannual installments of \$54,013 starting Jan. 1, 2000, including interest at 5.86%, due July, 2024.	963,477	-	51,567	911,910	54,588
Note payable OWDA, payable in 50 semiannual installments of \$25,260, starting July 1, 2000, including interest at 5.56%, due January, 2025.	475,263	-	24,430	450,833	25,807
Note payable OWDA, payable in 50 semiannual installments of \$53,061, starting July 1, 2000, including interest at 2%, due January, 2025.	1,244,552	-	81,231	1,163,321	82,856
Note payable OWDA, payable in 40 semiannual installments of \$1,591, starting July 1, 2003, including interest at 5.15%, due January, 2022.	26,466	-	1,842	24,624	1,938
Note payable OPW, payable in 60 semiannual installments of \$2,895, starting January 1, 2012, -0-% interest due July 1, 2041	173,713	-	5,790	167,923	5,790
	<u>\$12,825,084</u>	<u>\$ -</u>	<u>\$ 787,788</u>	<u>\$12,037,297</u>	<u>\$ 687,883</u>

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 5. LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term debt for the year ended December 31, 2011:

	Balance			Balance	Due Within
	<u>12/31/10</u>	<u>Additions</u>	<u>Payments</u>	<u>12/31/11</u>	<u>One Year</u>
1999 water revenue refunding bonds	\$ 1,171,300	\$ -	\$ 93,200	\$ 1,078,100	98,200
2005 water revenue refunding bond	79,500	-	14,600	64,900	15,300
2011 water resource revenue bond	-	736,000	11,200	724,800	11,500
Note payable OWDA, payable in semiannual installments of \$342,839 starting January 1, 2002, including interest at 6.39%, due July, 2026.	6,808,174	-	254,640	6,553,534	271,171
Note payable OWDA, payable in semiannual installments of \$66,981 starting Jan. 1, 2000, including interest at 2%, due July, 2024.	1,621,805	-	101,526	1,520,279	103,557
Note payable OWDA, payable in 50 semiannual installments of \$54,013 starting Jan. 1, 2000, including interest at 5.86%, due July, 2024.	1,012,189	-	48,712	963,477	51,566
Note payable OWDA, payable in 50 semiannual installments of \$25,260, starting July 1, 2000, including interest at 5.56%, due January, 2025.	498,390	-	23,127	475,263	24,430
Note payable OWDA, payable in 50 semiannual installments of \$53,061, starting July 1, 2000, including interest at 2%, due January, 2025.	1,324,190	-	79,638	1,244,552	81,231
Note payable OWDA, payable in 40 semiannual installments of \$1,591, starting July 1, 2003, including interest at 5.15%, due January, 2022.	28,217	-	1,751	26,466	1,842

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

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 1, 2041

	-	173,713	-	173,713	5,790
	<u>\$12,543,765</u>	<u>\$ 909,713</u>	<u>\$ 628,394</u>	<u>\$12,825,084</u>	<u>\$ 664,587</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, 2012 and 2011 was \$218,900 and \$237,465 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.

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

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

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

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;
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;

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

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

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, 2012 and 2011, the District had \$181 and \$167

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

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

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, 2012 and 2011 were \$3,943,280 and \$4,202,348 respectively.

Of the bank balances at December 31, 2012 and 2011, 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 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:

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 8. PENSION BENEFITS (Continued)

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.
- (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>, 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 2012, 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.

The 2012 member contribution rates were 10.00% of covered payroll for members in state and local classifications. Public safety and law enforcement members, contributed 11.50% and 12.10% respectively.

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 8. PENSION BENEFITS (Continued)

The 2012 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.

- (f) The District contributed \$120,882 and \$121,337 to the plan for 2012 and 2011.
- (g) 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.

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.

**ADAMS COUNTY REGIONAL WATER DISTRICT
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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 9. POST-EMPLOYMENT BENEFITS (Continued)

Plan Description (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 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.

(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 2012, 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 4.00% during the calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to health care was lowered to 1% 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.

**ADAMS COUNTY REGIONAL WATER DISTRICT
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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 9. POST-EMPLOYMENT BENEFITS (Continued)

(c) District Contributions

The district's contributions to OPERS for the years ended December 31, 2012 and 2011, to fund post-employment benefits were \$34,536 and \$34,665.94 respectfully.

(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.

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 11. CAPITAL ASSETS

The balance of capital assets at December 31, 2012 consists of the following:

	Balance				Balance
	<u>12/31/11</u>	<u>Additions</u>	<u>Dispositions</u>		<u>12/31/12</u>
Land and land improvements	\$ 840,524	\$ 21,383	\$ -		\$ 861,907
Accumulated depreciation	(30,692)	(2,752)	-		(33,444)
Buildings	546,784	2,100	-		548,884
Accumulated depreciation	(316,273)	(16,480)	-		(332,753)
Wells and wellfield improvements	1,383,894	170,911	-		1,554,805
Accumulated depreciation	(1,219,001)	(28,846)	-		(1,247,847)
Mains, lines and meters	26,969,733	210,869	-		27,180,602
Accumulated depreciation	(14,449,433)	(1,166,660)	-		(15,616,093)
Storage tanks	2,117,715	-	-		2,117,715
Accumulated depreciation	(1,390,142)	(72,272)	-		(1,462,414)
Water treatment and plant equipment	324,231	-	-		324,231
Accumulated depreciation	(278,523)	(4,165)	-		(282,688)
Trucks, tractors and radio equipment	1,077,851	99,444	114,273		1,063,022
Accumulated depreciation	(824,816)	(62,158)	(114,273)		(772,701)
Office furniture and equipment	127,783	3,881	5,031		126,633
Accumulated depreciation	(99,987)	(10,365)	(5,031)		(105,321)
Construction in progress	<u>53,150</u>	<u>48,899</u>	<u>1,081</u>		<u>100,968</u>
Total	<u>\$ 14,832,798</u>	<u>\$ (806,211)</u>	<u>\$ 1,081</u>		<u>\$ 14,025,506</u>

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Note 11. CAPITAL ASSETS (continued)

The balance of capital assets at December 31, 2011 consists of the following:

	Balance			Balance
	<u>12/31/10</u>	<u>Additions</u>	<u>Dispositions</u>	<u>12/31/11</u>
Land and land improvements	\$ 840,524		-	\$ 840,524
Accumulated depreciation	(27,879)	(2,813)	-	(30,692)
Buildings	542,065	9,219	4,500	546,784
Accumulated depreciation	(302,860)	(16,281)	(2,868)	(316,273)
Wells and wellfield improvements	1,349,295	34,599	-	1,383,894
Accumulated depreciation	(1,193,238)	(25,763)	-	(1,219,001)
Mains, lines and meters	25,049,282	1,920,451	-	26,969,733
Accumulated depreciation	(13,366,900)	(1,082,533)	-	(14,449,433)
Storage tanks	2,114,545	3,170	-	2,117,715
Accumulated depreciation	(1,318,031)	(72,111)	-	(1,390,142)
Water treatment and plant equipment	302,471	21,760	-	324,231
Accumulated depreciation	(274,604)	(3,919)	-	(278,523)
Trucks, tractors and radio equipment	990,011	90,460	2,620	1,077,851
Accumulated depreciation	(773,152)	(54,284)	(2,620)	(824,816)
Office furniture and equipment	118,439	11,934	2,590	127,783
Accumulated depreciation	(92,547)	(10,030)	(2,590)	(99,987)
Construction in progress	<u>762,274</u>	<u>1,119,193</u>	<u>1,828,317</u>	<u>53,150</u>
Total	<u>\$ 14,719,695</u>	<u>\$ 1,943,052</u>	<u>\$ 1,829,949</u>	<u>\$ 14,832,798</u>

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

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, 2012 and 2011 were \$195,204 and \$242,738 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.

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 \$2,490 and \$2,477 in 2012 and 2011 respectively.

**ADAMS COUNTY REGIONAL WATER DISTRICT
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

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 34, includes disbursements for debt retirement of \$787,788 and capital expenditures of \$544,014.

Note 19. SUBSEQUENT EVENT

The District signed a loan agreement with the Environmental Protection Agency of the State of Ohio through the Ohio Water Development Authority on March 13, 2013. The loan funds are available through the Water Supply Revolving Loan Account. The loan agreement is for a total of \$521,829 with \$126,982 of that being principal forgiveness. The total amount the District will be responsible for repayment is \$394,847 including interest. The terms of the loan are: semi-annual payments of \$6,580.79 due January 1 and July 1 each year for 30 years and an interest rate of 1.88%. The estimated project completion date is September 14, 2014, with the estimated first payment due on January 1, 2014.

ADAMS COUNTY REGIONAL WATER DISTRICT

**BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
RECEIPTS/REVENUES				
Sales to rural customers	\$ 2,680,000	\$ 2,700,000	\$ 2,780,097	\$ 80,097
Sales to public authorities	760,000	765,000	788,450	23,450
Interest income	30,000	30,000	31,076	1,076
Other revenue	105,000	105,000	137,422	32,422
Tap fees collected	78,000	78,000	88,300	10,300
Contributions revenue	-	-	23,299	23,299
Grant revenue	-	-	-	-
Transfer from savings	<u>300,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Total receipts	3,953,000	4,178,000	4,348,644	170,644
DISBURSEMENTS/EXPENDITURES				
Salaries	865,000	880,000	849,200	30,800
Utilities	300,000	320,000	316,734	3,266
Repairs and inventories	250,000	230,000	172,988	57,012
Truck expense	60,000	60,000	57,722	2,278
Supplies	38,000	38,000	34,929	3,071
Pension expense	151,650	151,650	143,764	7,886
Payroll taxes	33,000	33,000	29,557	3,443
Insurance	335,000	325,000	314,516	10,484
Office supplies & postage	33,000	35,000	33,322	1,678
Legal and engineering	5,000	5,000	4,710	290
Accounting	16,500	22,500	21,714	786
Trustee fees	31,000	27,000	25,650	1,350
Other expenses	62,000	62,000	51,996	10,004
Debt service	1,292,880	1,416,200	1,416,073	127
Capital expenditures	<u>452,500</u>	<u>550,000</u>	<u>544,014</u>	<u>5,986</u>
Total disbursements	3,925,530	4,155,350	4,016,889	138,461
Excess receipts over disbursements	<u>\$ 27,470</u>	<u>\$ 22,650</u>	<u>\$ 331,755</u>	<u>\$ 309,105</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 years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 28, 2013. The District implemented GASB Statement No. 62 *Codification of Pre November 30, 1989 FASB and AICPA Pronouncements*, and GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during fiscal year 2012.

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

May 28, 2013



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
JUNE 20, 2013**