



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 Adams County Regional Water District, Adams County, Ohio (the District), as of and for the year ended December 31, 2016, 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Adams County Regional Water District, Adams County as of December 31, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

May 18, 2017

**ADAMS COUNTY REGIONAL WATER DISTRICT  
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following discussion provides a summary overview of the financial activities of the Adams County Regional Water District ("the District") for the year ended December 31, 2016. 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 reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

**Financial Highlights**

- Assets exceeded liabilities by \$7,750,592 and \$7,488,143 as of December 31, 2016 and 2015 respectively.
- Net positions increased \$557,662 and decreased by \$50,622 in 2016 and 2015 respectively.
- Operating revenues increased by \$6,409 (1.60%) and by \$1,037 (0.02%) and operating and maintenance expenses increased by \$184,797 (5.30%) and decreased by \$17,798 (0.50%) in 2016 and 2015 respectively.
- Retirement of debt principal totaled \$754,378 and \$993,880 for 2016 and 2015 respectively and additions to debt principal totaled \$36,096 for 2016 and \$66,808 for 2015.

**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.

**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 2016, 2015, and 2014 respectively.

**ADAMS COUNTY REGIONAL WATER DISTRICT  
ADAMS COUNTY**

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

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<u>Assets</u>			
Current & other assets	\$ 6,484,937	\$ 5,840,291	\$ 5,515,916
Capital assets, net	12,292,133	13,114,167	13,467,771
Deferred Outflows	347,333	43,665	-
<b>Total assets</b>	<b>19,124,403</b>	<b>18,998,123</b>	<b>18,983,687</b>
<u>Liabilities</u>			
Current & other liabilities	2,466,368	2,149,712	1,303,174
Long-term debt	8,560,110	9,316,603	10,112,460
Deferred Inflows	22,832	14,377	-
<b>Total liabilities</b>	<b>11,049,310</b>	<b>11,480,692</b>	<b>11,415,634</b>
<u>Net Position</u>			
Invested in capital assets, net of related debt	2,935,654	3,039,407	2,372,154
Restricted for debt service	152,731	153,310	219,477
Unrestricted	4,986,708	4,324,714	4,676,422
<b>Total net position</b>	<b>\$ 8,075,093</b>	<b>\$ 7,517,431</b>	<b>\$ 7,568,053</b>

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

As noted earlier, the net position may serve as a useful indicator of financial position. The District's assets exceeded liabilities by \$7,750,592 as of December 31, 2016 compared to an excess of \$7,488,143 as of December 31, 2015. The net investment in capital assets as of December 31, 2016 was \$2,935,654 in comparison to \$3,039,407 as of December 31, 2015.

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 requirements.

For the year ended December 31, 2016 and 2015 respectively, total assets of the District decreased by \$177,378 and by \$29,299 due to depreciation of capital assets. Total liabilities as of December 31, 2016 and 2015 decreased by \$439,837 and increased by \$50,681 respectfully due mainly to retirement of debt and recording the net pension liability per GASB 68 guidelines.



**ADAMS COUNTY REGIONAL WATER DISTRICT  
ADAMS COUNTY**

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

The following table summarizes the changes in revenues and expenses for the District between 2016, 2015, and 2014:

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Operating revenue</u>			
Sales to customers	\$ 3,062,127	\$ 3,047,545	\$ 3,082,447
Sales to public authorities	769,357	777,304	768,714
Other revenues	170,295	170,521	143,172
<b>Total operating revenue</b>	<u>4,001,779</u>	<u>3,995,370</u>	<u>3,994,333</u>
<u>Non-operating revenue</u>			
Tap fee revenue	57,950	106,100	74,100
Grant revenue	324,893	565,887	-0-
Interest income	42,704	39,526	39,273
Insurance Proceeds	23,692	-0-	2,289
Principal forgiveness revenue	28,188	6,931	-0-
Gain on disposal of assets	-0-	-0-	3,642
<b>Total non-operating revenue</b>	<u>477,427</u>	<u>718,444</u>	<u>119,304</u>
<b>Total revenue</b>	<u>4,479,206</u>	<u>4,713,814</u>	<u>4,113,637</u>
<u>Operating expenses</u>			
Operations	1,910,136	1,781,997	1,816,187
Maintenance	304,975	266,888	278,028
Depreciation	1,456,095	1,437,523	1,409,992
<b>Total operating expenses</b>	<u>3,671,206</u>	<u>3,486,408</u>	<u>3,504,207</u>
<u>Non-operating expense</u>			
Interest expense	\$ 240,316	\$ 483,157	\$ 517,778
Loss on disposal of assets	\$ 10,022	\$ -	\$ -
<b>Total non-operating expenses</b>	<u>250,338</u>	<u>483,157</u>	<u>517,778</u>
<b>Total expenses</b>	<u>3,921,544</u>	<u>3,969,565</u>	<u>4,021,985</u>
<u>Income (Loss) before contributions</u>	557,662	744,249	91,652
<b>Capital contributions</b>	<u>-</u>	<u>4,992</u>	<u>40,528</u>
<b>Change in net position</b>	<u>\$ 557,662</u>	<u>\$ 749,241</u>	<u>\$ 132,180</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, 2016:

- Operating revenue increased \$6,409 (1.69%) and \$1,037 (0.02%) in 2016 and 2015 respectively.
- Non-operating revenues decreased by \$241,017 (33.54%) and increased by \$599,140 (502.20%) due to a decrease and increase in grant revenue in 2016 and 2015 respectively.
- Operating expenses increased by \$166,999 (4.77%) and decreased by \$17,799 (0.51%) due to an increase and decrease in salaries, utilities, repairs, and insurance in 2016 and 2015 respectively. Total expenses decreased by \$48,021 (1.20%) and decreased by \$52,420 (1.30%) in 2016, and 2015 respectively.

**ADAMS COUNTY REGIONAL WATER DISTRICT  
ADAMS COUNTY**

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

Capital contributions from customers decreased by \$4,992 (100%) and by \$35,536 (87.68%) in 2016 and 2015 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, 2016 and 2015 respectively, the District had \$12,292,133 and \$13,114,097 invested in capital assets. This amount represents a net decrease of \$821,964 (6.27%) in 2016 and \$134,197 (1.01%) 2015.

**Table 3  
Capital Assets  
December 31,**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Land and improvements	\$ 875,186	\$ 871,073	\$ 871,073
Construction in progress	370,763	990,346	65,913
Buildings	659,480	634,049	614,522
Wells and wellfield improvements	1,713,743	1,626,231	1,554,805
Mains, lines, and meters	29,611,690	28,888,901	27,614,463
Storage tanks	2,625,070	2,432,455	2,432,455
Water treatment & other equipment	1,891,966	1,670,712	1,657,211
Less: Accumulated depreciation	\$ (25,455,765)	(23,999,670)	(22,562,148)
<b>Totals</b>	<b>\$ 12,292,133</b>	<b>13,114,097</b>	<b>13,248,294</b>

Major additions in 2016, 2015,  
and 2014 at cost included:

(2) 2014 GMC Sierra Trucks	-0-	-0-	50,514
Sunshine Ridge Line & Tank	-0-	-0-	1,158,921
2015 Ford F-350 Utility Truck	-0-	-0-	35,925
Meter Change Out Program	-0-	215,807	185,388
Security Cameras	-0-	14,923	-0-
VFD Installation (Phase I)	-0-	-0-	65,638
Pitless Adapters/Install (Wells2&4)	-0-	65,943	-0-
Camera System Upgrade/WTP	20,206	-0-	-0-
Betty's Creek/Peach Mtn Waterline	670,625	-0-	-0-
Rickey Rd Line Extension	12,894	-0-	-0-
HP Proliant Server	11,275	-0-	-0-
Peach Mountain Tank	192,615	-0-	-0-
2016 Chevrolet Utility Truck	26,635	-0-	-0-
2016 Chevrolet Silverado K150	31,534	-0-	-0-
	<b>\$ 965,784</b>	<b>\$ 296,673</b>	<b>\$ 1,496,386</b>

**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, 2016, the District had total debt outstanding of \$9,356,479 compared to \$10,074,760 at December 31, 2015. This represents a net decrease in 2016 of \$718,281 and 2015 of \$801,380 due to principal payments on debt.

**ADAMS COUNTY REGIONAL WATER DISTRICT  
ADAMS COUNTY**

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

**Economic Factors for 2016 and Budget for 2017**

Additional information on the District's long-term debt can be found in Note 5 to the financial statements.

Adams County Regional Water District increased water rates in January of 2013. The minimum bill was raised to \$20 for the first 1000 gallons and \$6.50 per thousand thereafter for a 5/8" tap. Larger-sized taps increased proportionately. Wholesale rates increased to \$3.35 per thousand in July of 2013. There was no increase in 2016. A rate study is currently being performed to determine revenues needed for the next four years.

The number of water taps sold by the District remained minimal as in the last few years. A total of forty-three taps were sold in 2016. No major line extensions were constructed during the year. The District anticipates selling approximately forty taps in 2017.

Improvements made in the District during 2016 included small line extensions on Hammer Road, Pumpkin Ridge Road, and Rickey Road in Brown County. Upgrades were made to the District's camera and security system at the water treatment plant, as well the purchase of a potassium permanganate pump and fluoride meter. A pick-up truck and a utility truck were purchased for the distribution crew along with other small pieces of equipment. The third phase of the installation of variable frequency drives (VFD's) on the high service pumps at the water treatment plant was performed. Pitless adapters and new pits were installed for two wells in the well field. Improvements were made to various buildings, including a new concrete floor for the equipment barn.

The District purchased a new server for the business office and installed a lockbox program. Customers are now able to view their accounts and pay their water bills online through credit/debit cards and online bank direct through their own bank, as well as paying the traditional way through the business office or at First State Bank.

The construction of a water storage tank in the Louisville Road area was begun in 2016. It will be completed in the spring of 2017. Funding for this project is an Appalachian Regional Commission grant, an Ohio Public Works Commission grant/loan combination, and a loan through the Water Supply Revolving Loan Account from Ohio EPA.

The operating budget for 2017 is \$4,005,460. Capital improvements scheduled for 2017 include more cameras for the water treatment plant, the purchase of an additional service truck and a vehicle for the business office, improvements on existing buildings, an upgrade to a water line in the Logans Lane/Rigdon Road area, and the installation of the final phase of the pitless adapter project in the well field.

Various small tools and office equipment will be purchased as needed.

The District will soon bid a project in the Locust Grove area to replace existing water lines as this area frequently needs maintenance to repair water leaks. Funding for this project will be a grant from the Ohio Public Works Commission with the District providing the additional funds.

Funding is being sought for the installation of water lines on several roads in the county that are not currently served and/or to connect existing lines, including Willie Stanfield Road, Cutacross Road, Kirkpatrick Road, Mathias Road, Paint Road, Rickey Road, Barry McFarland Road, and McCoy Road.

The District is also seeking funding through ARC and Ohio EPA for a water line replacement project on US 52 in an area which has frequent water leaks.

**ADAMS COUNTY REGIONAL WATER DISTRICT  
ADAMS COUNTY**

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

**Contacting the District's Financial Management**

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

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 2,791,231
Certificates of deposit	2,378,004
Accounts receivable	
Customers, net of allowance for doubtful accounts of \$11,201	577,467
Other receivables	6,462
Accrued interest receivable	96,401
Inventories	438,300
Prepaid expenses	<u>44,341</u>
Total current assets	6,332,206

Non current assets:

Restricted cash and certificates of deposit	152,731
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Capital assets (at cost):

Non depreciable capital assets

Land	788,396
Construction in progress	<u>370,763</u>
Total non depreciable assets	1,159,159

Depreciable capital assets

Land improvements	86,790
Buildings	659,480
Wells and wellfield improvements	1,713,743
Mains, lines and meters	29,611,690
Storage tanks	2,625,070
Water treatment and plant equipment	556,326
Trucks, tractors and radio equipment	1,195,775
Office furniture and equipment	139,865
Less: accumulated depreciation	<u>(25,455,765)</u>
Total depreciable capital assets	<u>11,132,974</u>
Total capital assets (net of depreciation)	<u>12,292,133</u>
Total non current assets	<u>12,444,864</u>

**Total assets** **\$ 18,777,070**

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred pension contributions	<u>347,333</u>
Total deferred outflows of resources	347,333

**LIABILITIES**

Current liabilities:

Accounts payable	\$ 65,926
Accrued expenses	255,231
Accrued interest	143,936
Current portion of long-term debt	796,369
Deferred Principal Forgiveness Revenue	-
Customer deposits	<u>23,250</u>
Total current liabilities	1,284,712

Non current liabilities:

Net pension liability	1,181,656
Long-term debt, less current portion	<u>8,560,110</u>
Total non current liabilities	9,741,766

**Total liabilities** **11,026,478**

**DEFERRED INFLOWS OF RESOURCES**

Deferred earnings on pension investments	<u>22,832</u>
Total deferred inflows of resources	22,832

**NET POSITION**

Net investment in capital assets	2,935,654
Restricted for debt service	152,731
Unrestricted net position	<u>4,986,708</u>

**Total net position** **\$ 8,075,093**

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

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**OPERATING REVENUES**

Sales to customers	\$ 3,062,127
Sales to public authorities	769,357
Other revenues	<u>170,295</u>
Total operating revenues	4,001,779

**OPERATING EXPENSES**

Salaries	855,647
Utilities	309,998
Depreciation expense	1,456,095
Repairs	270,895
Truck expense	34,080
Supplies	40,762
Pension expense	217,890
Payroll taxes	19,212
Insurance - other than health	47,500
Insurance - health & life	252,946
Office supplies and postage	34,445
Legal and engineering fees	3,349
Accounting fees	28,920
Director fees	33,400
Advertising	2,713
Bank charges	431
Bad debt expense	158
Other expenses	<u>62,765</u>
Total operating expenses	<u>3,671,206</u>

**OPERATING INCOME (LOSS)** 330,573

**NON OPERATING REVENUES (EXPENSES)**

Tap fee revenue	57,950
Grant revenue	324,893
Interest income	42,704
Interest expense	(240,316)
Insurance proceeds	23,692
Loss on disposal of assets	(10,022)
Principal forgiveness revenue	<u>28,188</u>
Total non operating revenues (expenses)	<u>227,089</u>

**INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS** 557,662

**CAPITAL CONTRIBUTIONS** -

**INCREASE (DECREASE) IN NET POSITION** 557,662

**NET POSITION**

Beginning of year	<u>7,517,431</u>
End of Year	<u><u>\$ 8,075,093</u></u>

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

**ADAMS COUNTY REGIONAL WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from customers	\$ 4,019,874
Cash payments to employees for services	(855,647)
Cash payments to suppliers for goods and services	<u>(1,323,185)</u>
<b>Net Cash provided by Operating Activities</b>	<b>1,841,042</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income on investments	<u>52,574</u>
<b>Net Cash Provided by Investing Activities</b>	<b>52,574</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of operating facilities, including construction in progress and capitalized interest	(624,039)
Members' tap fees	57,950
Borrowings on long term obligations	36,097
Principal forgiveness revenue (net)	35,851
Insurance proceeds	23,692
Grant revenue	324,893
Payments on long term debt obligations	(754,378)
Proceeds from construction contributions	-
Interest paid on long term debt obligations	<u>(325,590)</u>
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u><b>(1,225,524)</b></u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>668,092</b>
<b>CASH AND CASH EQUIVALENTS</b> Beginning of period	<u>4,653,874</u>
<b>CASH AND CASH EQUIVALENTS</b> End of period	<u><u>\$ 5,321,966</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating Income	\$ 330,572
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,456,096
Contribution of meter readers	-
Changes in assets and liabilities:	
Accounts receivable, customers and other	18,095
Inventories	(5,515)
Prepaid expenses	996
Accounts payable and other accrued expenses	40,798
Customer deposits	<u>-</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 1,841,042</u></u>

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

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**ADAMS COUNTY REGIONAL WATER DISTRICT  
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

**(b) Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the District's net position of the pension plans and additions to/deductions from the District's net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**ADAMS COUNTY REGIONAL WATER DISTRICT  
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

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

**(a) Cash and Cash Equivalents**

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

**(b) Inventories**

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

**(c) Capital Assets**

Capital assets are stated at cost. Construction period interest is capitalized as part of construction costs. During the years ended December 31, 2016 and 2015, the District capitalized \$8,915 and \$24,319 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.

**(d) 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

**(e) 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.

**(f) 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 YEAR ENDED DECEMBER 31, 2016  
(Continued)**

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

**(g) 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. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange 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.

**(h) Net Position**

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

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

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

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

Of the District's \$152,731 in restricted net position, none were restricted by enabling legislation.

**(i) 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

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

Restricted cash and certificates of deposit consist of savings accounts that 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.

**ADAMS COUNTY REGIONAL WATER DISTRICT  
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**NOTES TO FINANCIAL STATEMENTS  
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(Continued)**

**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 had a rate of 4.25% which matured in 2016. During 2011, the District entered into two long term debt arrangements related to the Lawshe Road Waterline Extension. The District borrowed \$173,713 from the Ohio Public Works Commission. The loan has a 0% interest rate and a final maturity in 2041. The District also obtained a Water Resource Revenue Bond from the United States of America Department of Agriculture for \$736,000 at a rate of 2.38% with a maturity of 2050.

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

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

During 2015, the District obtained a loan through the Ohio Water Development Authority's Drinking Water Fund for the Bettys Creek/Peach Mountain Waterline Extension. The amount of loan proceeds disbursed was \$239,820. Of this amount, \$47,320 of the principal has been forgiven, leaving the loan at \$192,500. 40 payments over 20 years will begin July 1, 2016 with an interest rate of 1.39% and a final maturity in January 1, 2036.

Due to the high interest rate of 4.5% and the low interest rates of certificates of deposit, the Assistant General Manager suggested that the District use some reserve funds to pay off Loan #91-07. The Board of Trustees agreed and authorized a final payment of \$237,800 on October 24, 2015. This early extinguishment of debt saved approximately \$117,000 in interest over the next 19 years.

On February 18, 2016, The Ohio Water Development Authority (OWDA) implemented an interest rate buy-down program to assist local borrowers with interest rates higher than 4.00%. The buy-down, which reduced rates to 4.00%, commenced retroactively with the payment due on January 1, 2016 and will carry through to the maturity date of the affected loans. The total amount of estimated savings the District will realize over the remaining life of these loans is \$922,557.

**ADAMS COUNTY REGIONAL WATER DISTRICT  
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**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

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

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

	<b>Amount of Original Issue</b>	<b>Final Maturity Date</b>	<b>Interest Rate</b>
\$	322,095	2034	4.50%
\$	242,304	2015	5.00%
\$	987,342	2019	5.00%
\$	246,725	2018	5.00%
\$	195,658	2012	6.50%
\$	144,000	2015	4.25%
\$	736,000	2050	2.38%
\$	300,754	2044	1.88%
\$	173,713	2041	0.00%
\$	192,500	2036	1.39%

The annual debt service requirements to maturity, including principal and interest for long-term debt as of December 31, 2016, are as follows:

	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2017	797,270	444,358	1,241,628
2018	836,567	405,429	1,241,996
2019	857,459	364,269	1,221,728
2020	822,969	321,816	1,144,785
2021	864,129	280,688	1,144,817
2022-2026	4,279,548	712,883	4,992,431
2027-2031	209,333	77,324	286,657
2032-2036	222,471	58,705	281,176
2037-2041	191,106	40,176	231,282
2042-2046	144,892	22,234	167,126
2047-2050	<u>108,300</u>	<u>6,510</u>	<u>114,810</u>
Total	<u>\$ 9,334,044</u>	<u>\$ 2,734,392</u>	<u>\$ 12,068,436</u>

**ADAMS COUNTY REGIONAL WATER DISTRICT  
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**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

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

The following is a summary of changes in long-term debt for the year ended December 31, 2016:

	<u>Balance 12/31/15</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/16</u>	<u>Due within One Year</u>
1999 water revenue refunding bonds	\$ 327,000	\$ -	\$ 80,200	\$ 246,800	\$ 83,600
2011 water resource revenue bond	677,100	-	12,600	664,500	12,900
Note payable OWDA, payable in semiannual Installments of \$342,839 starting January 1, 2002, including interest at 4%, due July 2026	5,358,574	-	348,748	5,009,826	371,390
Note payable OWDA, payable in semiannual installments of \$66,981 starting January 1, 2000, including interest at 2%, due July 2024	1,093,460	-	112,093	981,367	114,335
Note payable OWDA, Payable in 50 semiannual Installments of \$54,013 starting January 1, 2000, including interest at 4%, due July 2024	738,362	-	64,758	673,604	68,553
Note payable OWDA, payable in 50 semiannual installments of \$25,260, starting July 1, 2000, including interest at 4%, due January 2025	368,965	-	30,422	338,543	32,137

**ADAMS COUNTY REGIONAL WATER DISTRICT  
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**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

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

	<u>Balance 12/31/15</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/16</u>	<u>Due within One Year</u>
Note payable OWDA, payable in 50 semiannual installments of \$53,061, starting July 1, 2000, including interest at 2%, due January 2025	909,749	-	87,928	821,821	89,686
Note payable OWDA, payable in 40 semiannual installments of \$1,591, starting July 1, 2003, including interest at 4%, due January 2022	18,501	-	2,257	16,244	2,375
Note payable OPW, payable in 60 semiannual installments of \$2,895, starting January 1, 2012, -0-% interest due July 2041	150,552	-	5,791	144,761	5,790
Note payable OWDA, payable in 60 semiannual installments of \$6,581, starting January 1, 2014, including interest at 1.88%, due July 2043	239,997	13,660	5,388	248,269	7,134
Note payable OWDA, payable in 40 semiannual installments of \$5,529 starting July 1, 2016, including interest at 1.39%, due January 2036	192,500	-	4,191	188,309	8,470
<i>Construction in Progress:</i>					
New OWDA Loan Disbursements-to-date	-	8,655	-	8,655	-
New OPWC Loan Disbursements-to-date	-	13,781	-	13,781	-
	<u>\$10,074,760</u>	<u>\$ 36,096</u>	<u>\$ 754,376</u>	<u>\$9,356,480</u>	<u>\$796,370</u>

**ADAMS COUNTY REGIONAL WATER DISTRICT  
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**5. 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 and OPWC 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, 2016 and 2015 was \$152,731 and \$153,309 respectively. This amount equaled the required reserve.

**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.

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligations or securities issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to: Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;



**ADAMS COUNTY REGIONAL WATER DISTRICT  
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**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) of this footnote and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio)
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's average portfolio.

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

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, 2016 and 2015, the District had \$111 and \$184 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".

**ADAMS COUNTY REGIONAL WATER DISTRICT  
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**7. 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, 2016 and 2015 were \$5,321,966 and \$4,653,690 respectively.

Of the bank balances at December 31, 2016 and 2015, 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.

**8. PENSION BENEFITS**

Statement No. 68 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* which requires public employers to provide detailed disclosure of pension information in financial statements and accompanying information.

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

**ADAMS COUNTY REGIONAL WATER DISTRICT  
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**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**8. PENSION BENEFITS (Continued)**

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>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.
  - (e) The Ohio Revised Code provides statutory authority for member and employer contributions. For 2016, 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 officers participate in only the Traditional Pension Plan.
  - (f) The 2016 member contribution rates were 10.00% of earnable salary for members in state and local classifications. Public safety and law enforcement members contributed 12.00% and 13.00% respectively.
  - (g) The 2016 employer contribution rate for state and local employers was 14.00% of earnable salary. The law enforcement and public safety division, employer contribution rate was 18.10% of earnable salary.
  - (h) The District contributed \$125,953, \$118,875, and \$116,455 to the plan for 2016, 2015, and 2014, respectively.

Within the Traditional Pension Plan, OPERS classifies employees into four divisions: State, Local, Law Enforcement and Public Safety. The Public Safety and Law Enforcement divisions have different contribution rates, benefit formulas, and retirement eligibility requirements than those of the State and Local members. The member and employer contribution rates are set in statute. Both the member and employer contribution rates for Public Safety and Law Enforcement members are higher than those of the State and Local members to recognize the higher cost of these benefits. Accordingly, for the Traditional Pension Plan both member and employer contributions are used to calculate the proportionate share for employers in OPERS Schedule of Employer Allocations.

**ADAMS COUNTY REGIONAL WATER DISTRICT  
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**NOTES TO FINANCIAL STATEMENTS  
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(Continued)**

**8. PENSION BENEFITS (Continued)**

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

At December 31, 2016, the District reported a liability of \$1,181,656 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating districts, actuarially determined. At December 31, 2015, the District's proportion was .006822%. See table below:

Net Pension Liability/(Asset)	Traditional Plan
Total Pension Liability	\$6,244,456
Plan Fiduciary Net Position	<u>5,062,800</u>
Employer's Net Pension Liability/(Asset)	<u>\$1,181,656</u>

Actuarial Methods and Assumptions: The total OPERS pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2015
Experience Study	5-Yr Pd - Ended December 31, 2015
Actuarial Cost Method	Individual entry age
Actuarial Assumptions	-
Investment Rate of Return	8.00%
Wage Inflation	3.75%
Projected Salary Increases	4.25% – 10.05% (includes wage inflation at 3.75%)
Cost-of-Living Adjustments	3.00% Simple through 2018, then 2.80% Simple

Mortality rates were based on the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used.

The discount rate used to measure the OPERS total pension liability was 8.0% for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for both the Traditional Pension Plan and the Combined Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**ADAMS COUNTY REGIONAL WATER DISTRICT  
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**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**8. PENSION BENEFITS (Continued)**

The allocation of investment assets within the Defined Benefit portfolio is approved by the OPERS Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the OPERS Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

<b>Asset Class</b>	<b>Target Allocation For 2015</b>	<b>Weighted Average Long-Term Expected Real Rate of Return</b>
Fixed Income	23.00%	2.31%
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other Investments	18.00	4.59
<b>TOTAL</b>	<b>100.00%</b>	<b>5.27%</b>

The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

Deferred Inflows and Deferred Outflows: As noted in OPERS Schedule of Collective Pension Amounts, the deferred inflows and outflows do not include the layer of amortization that is recognized in current year pension expense and represents the balances of deferred amounts as of December 31, 2015. The table below discloses the original amounts of the deferred inflows and outflows, calculated by OPERS external actuaries, and the current year amortization on those amounts included in pension expense (after applying the District's proportionate share percentage to these amounts) as of and for the year ended December 31, 2015. This information is included to assist with tracking the amortization tiers for each year to be recognized in future pension expense:

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**NOTES TO FINANCIAL STATEMENTS  
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(Continued)**

**8. PENSION BENEFITS (Continued)**

**Deferred Inflows and Outflows Arising From the Current Reporting Period  
As of and for the year ended December 31, 2015**

<b>Deferred Inflows/(Outflows) Year ended 2015</b>	<b>Total Deferred Inflows/(Outflows) Arising in Current Reporting Period</b>	<b>2015 Amortization Period</b>	<b>First Year of Amortization Recognized in Pension Expense</b>	<b>Balance of 2015 Deferred Inflows/(Outflows) in Current Reporting Period</b>
Difference Between Expected and Actual Experience	\$21,989	3.1673 years	\$6,942	\$15,047
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	(\$393,008)	5 years	(\$78,602)	(\$314,406)

\$347,333, reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Cumulative Deferred (Outflows)/Inflows by Resources by Year to be recognized in  
Future Pension Expenses**

<b>Year Ending December 31</b>	<b>Traditional Pension Plan Net Deferred Outflows Of Resources</b>
2016	(\$75,965)
2017	(\$81,519)
2018	(\$88,416)
2019	(\$78,602)
2020	-
<b>Total</b>	<b>(\$324,502)</b>

**ADAMS COUNTY REGIONAL WATER DISTRICT  
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**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**8. PENSION BENEFITS (Continued)**

Additional Financial and Actuarial Information: Additional information supporting the preparation of OPERS Schedules of Collective Pension Amounts and Employer Allocations (including the disclosure of the net pension liability/(asset), required supplementary information on the net pension liability/(asset), and the unmodified audit opinion on the combined financial statements) is located in OPERS 2015 CAFR. This CAFR is available at [www.opers.org](http://www.opers.org) or by contacting OPERS at: OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222-7377.

**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 pension plans: The Traditional Pension Plan-a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan-a defined contribution plan; and the Combined Plan-a cost sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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 benefit recipients 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. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2016. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide the OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage 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 coverage.

**ADAMS COUNTY REGIONAL WATER DISTRICT  
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.00% of earnable salary 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 member contributions do not fund 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. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 2.00% during the calendar year 2016. Effective January 1, 2016, the portion of employer contributions allocated to health care remains at 2.0% for both plans, as recommended by 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 Accamounts vary depending on the number of covered dependents and the coverage selected.

(c) District Contributions

The district's contributions to OPERS to fund post-employment benefits were \$17,868, \$16,975 and \$16,630 for 2016, 2015, and 2014, respectively.

(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, 2015. 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.

**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 YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**11. CAPITAL ASSETS**

The balance of capital assets at December 31, 2016 consists of the following:

	<u>Balance</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>12/31/2016</u>
Land and land improvements	\$ 871,073	\$ 4,113	\$ -	\$ 875,186
Accumulated depreciation	(44,197)	(3,480)	-	(47,677)
Buildings	634,049	25,431	-	659,480
Accumulated depreciation	(391,264)	(23,372)	-	(414,636)
Wells and wellfield improve- Ments	1,626,231	87,512	-	1,713,743
Accumulated depreciation	(1,362,904)	(40,348)	-	(1,403,252)
Mains, lines and meters	28,888,901	732,811	*(10,022)	29,611,690
Accumulated depreciation	(19,203,268)	(1,234,511)	-	(20,437,779)
Storage tanks	2,432,455	192,615	-	2,625,070
Accumulated depreciation	(1,688,674)	(67,107)	-	(1,755,781)
Water treatment and plant equipment	426,293	130,032	-	556,325
Accumulated depreciation	(309,533)	(21,792)	-	(331,325)
Trucks, tractors and radio equipment	1,117,328	78,447	-	1,195,775
Accumulated depreciation	(889,606)	(60,561)	-	(950,167)
Office furniture and equipment	127,090	12,775	-	139,865
Accumulated depreciation	(110,223)	(4,924)	-	(115,147)
Construction in progress	<u>990,416</u>	<u>-</u>	<u>(619,653)</u>	<u>370,763</u>
Total	<u>\$ 13,114,167</u>	<u>\$ (192,359)</u>	<u>\$ (629,675)</u>	<u>\$ 12,292,133</u>

\*This amount is 5% cost basis of Tap Installations, etc. to remove old meters.

**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 all 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, 2016 and 2015 were \$234,851 and \$224,107 respectively.

**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.

**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.

**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.

**ADAMS COUNTY REGIONAL WATER DISTRICT  
ADAMS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**16. ADVERTISING COSTS**

The District expenses advertising costs as incurred. Advertising expenses amounted to \$2,713 and \$1,244 in 2016 and 2015 respectively.

**17. SUBSEQUENT EVENTS**

A Memorandum of Understanding between the Adams County Board of Commissioners and the Adams County Regional Water District during 2016 provided the District was awarded a grant of funds of \$250,000 from Appalachian Regional Commission (ARC). This agreement is subject to the condition that the District provide a local matching contribution in the amount of \$275,000. The District applied and received loans/grants from both Ohio Public Works Commission (OPWC) for \$250,000 and Water Supply Revolving Loan Account (WSRLA) for \$25,000 to constitute 100% of the local matching contribution.

The project is titled Louisville Storage Tank Project. The total funding for the project is: \$250,000 Appalachian Regional Commission; \$250,000 Ohio Public Works Commission; \$25,000 Water Supply Revolving Loan Account. Project completion date is estimated at April 28, 2017, with the initial loan payment beginning January 1, 2018.

**ADAMS COUNTY REGIONAL WATER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST THREE YEARS**

	2016	2015	2014
District's Proportion of the Net Pension Liability	0.0068222%	0.006785%	0.006785%
District's Proportionate Share of the Net Pension Liability	\$ 1,181,656	\$ 818,347	\$ 799,863
District's Covered-Employee Payroll	\$ 899,664	\$ 831,824	\$ 817,787
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	131.34%	98.38%	97.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.00%	86.45%	86.36%

**Notes to Schedule**

(1) Amounts presented as of the District's measurement date which is the prior fiscal year end.

(2) Information prior to 2013 is not available.

**ADAMS COUNTY REGIONAL WATER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF WATER DISTRICT CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TEN YEARS**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contributions	\$ 125,953	\$ 118,875	\$ 116,455	\$ 114,490	\$ 120,882	\$ 120,170	\$ 115,728	\$ 111,077	\$ 109,921	\$ 106,623
Contributions in relation to the Contractually required contributions	125,953	118,875	116,455	114,490	120,882	120,170	115,728	111,077	109,921	106,623
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 899,664	\$ 849,109	\$ 831,824	\$ 817,787	\$ 863,442	\$ 858,357	\$ 826,631	\$ 793,405	\$ 784,884	\$ 769,838
Contributions as a percentage of Covered-employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.85%

**Notes to Schedule**

**Valuation date:**

The actuarial information presented is based on the System's most current actuarial valuation data as of December 31, 2015.

**Methods and assumptions used to determine contribution rates:**

- Actuarial cost method Individual Entry Age
- Amortization method Level percentage of payroll contributions
- Remaining amortization period 21
- Asset valuation method

For actuarial purposes, the Funding Value of Defined Benefit Assets recognizes assumed investment returns fully each year. Differences and assumed investment returns are phased in over a closed four-year period. The funding value is not permitted to deviate from more than 12%.

- Wage inflation 3.75%
- Projected salary increases 4.25-10.05%, average, including inflation
- Price inflation 3.0%
- Investment rate of return 8.0%, net of administrative expenses, including inflation
- Retirement age Senate Bill 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three varying provisions of the law applicable to each group. These groups are broken down in the tables listed on pages 149-156 of the OI
- Mortality The tables used in evaluation age-and-service and survivor benefit allowances to be paid were based on the RP-2000 mortality table I using Projection Scale AA.



# 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, (the District) as of and for the year ended December 31, 2016 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 18, 2017.

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

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

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

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

### ***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

May 18, 2017



# 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 1, 2017**