

**ADAMS COUNTY REGIONAL  
WATER DISTRICT**

**GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

**TOGETHER WITH INDEPENDENT AUDITORS' REPORT**





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

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To the Board of Directors  
Adams County Regional Water District  
9203 St. Rt. 136  
P.O. Box 427  
West Union, Ohio 45693

We have reviewed the Independent Auditor's Report of the Adams County Regional Water District, Adams County, prepared by Reynolds & Company, for the audit period January 1, 2000 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO  
Auditor of State

July 13, 2001

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of Adams County Regional Water District as of and for the years ended December 31, 2000 and 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of Adams County Regional Water District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Adams County Regional Water District as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2001, on our consideration of Adams County Regional Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Reynolds & Company  
Certified Public Accountants

Portsmouth, Ohio  
April 17, 2001

# **FINANCIAL STATEMENTS**

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**BALANCE SHEETS**  
**December 31, 2000 and 1999**

|  | <u>2000</u>         | <u>1999</u>         |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| <b>OPERATING FACILITIES (at cost)</b>  |                     |                     |
| Land and land improvements   | \$ 418,649          | \$ 410,837          |
| Buildings  | 487,127             | 476,504             |
| Wells and wellfield improvements   | 1,235,306           | 966,792             |
| Mains, lines and meters  | 13,876,283          | 7,430,071           |
| Storage tanks  | 1,370,897           | 595,369             |
| Water treatment and plant equipment  | 407,326             | 401,991             |
| Trucks, tractors and equipment   | 481,277             | 402,400             |
| Office furniture and equipment   | 82,009              | 79,144              |
| Construction in progress   | 5,730,153           | 7,167,580           |
|  | <u>24,089,027</u>   | <u>17,930,688</u>   |
| Less: accumulated depreciation   | (5,963,657)         | (5,284,239)         |
| Net operating facilities   | <u>18,125,370</u>   | <u>12,646,449</u>   |
| <b>OTHER ASSETS</b>  |                     |                     |
| Restricted cash and certificates of<br>Deposit   | 255,463             | 229,845             |
| Deferred costs, net  | 72,028              | 51,256              |
| Total other assets   | <u>327,491</u>      | <u>281,101</u>      |
| <b>CURRENT ASSETS</b>  |                     |                     |
| Cash and cash equivalents  | 1,457,825           | 1,812,045           |
| Certificates of deposit  | 1,557,765           | 796,768             |
| Accounts receivable:   |                     |                     |
| Customers, net of allowance for<br>doubtful accounts of \$41,357 and<br>\$11,201 at December 31, 2000 and 1999 | 291,724             | 279,338             |
| Other receivables  | 49,406              | 29,930              |
| Accrued interest receivable  | 28,427              | 18,347              |
| Inventories  | 127,290             | 118,954             |
| Prepaid expenses   | 19,090              | 18,160              |
| Total current assets   | <u>3,531,527</u>    | <u>3,073,542</u>    |
| Total assets   | <u>\$21,984,388</u> | <u>\$16,001,092</u> |

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

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**BALANCE SHEETS (CONTINUED)**  
**December 31, 2000 and 1999**

|   | <u>2000</u>         | <u>1999</u>         |
|---|---------------------|---------------------|
| <b>LIABILITIES AND MEMBERS' EQUITY</b>                  |                     |                     |
| <b>MEMBERS' EQUITY</b>                                  |                     |                     |
| Members' tap fees                                       | \$ 2,102,936        | \$ 1,809,286        |
| Retained earnings                                       | 1,782,545           | 1,904,613           |
| Total members' equity                                   | <u>3,885,481</u>    | <u>3,713,899</u>    |
| <b>CONTRIBUTIONS IN AID OF CONSTRUCTION</b>             | 3,239,523           | 2,850,549           |
| <b>LONG-TERM DEBT, less current portion</b>             | 14,255,003          | 8,865,553           |
| <b>CURRENT LIABILITIES</b>                              |                     |                     |
| Current portion of long-term debt                       | 151,253             | 208,567             |
| Accounts payable  | 238,986             | 157,761             |
| Accrued expenses  | 169,702             | 145,016             |
| Accrued interest  | 21,040              | 36,347              |
| Customer deposits                                       | 23,400              | 23,400              |
| Total current liabilities                               | <u>604,381</u>      | <u>571,091</u>      |
| Total liabilities, contributions<br>and members' equity | <u>\$21,984,388</u> | <u>\$16,001,092</u> |

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

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**STATEMENTS OF INCOME AND RETAINED EARNINGS  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

|   | <u>2000</u>                | <u>1999</u>                |
|---|----------------------------|----------------------------|
| <b>REVENUES</b>                                   |                            |                            |
| Sales to customers                                | \$ 1,466,963               | \$ 1,505,558               |
| Sales to public authorities                       | 618,818                    | 639,561                    |
| Other revenues                                    | 59,765                     | 94,197                     |
| Total revenues                                    | <u>2,145,546</u>           | <u>2,239,316</u>           |
| <b>EXPENSES</b>                                   |                            |                            |
| Salaries  | 602,475                    | 576,321                    |
| Utilities   | 200,643                    | 157,277                    |
| Depreciation expense                              | 679,417                    | 320,315                    |
| Meter reader expense                              | 50,276                     | 48,850                     |
| Repairs   | 93,727                     | 106,796                    |
| Truck expense                                     | 19,233                     | 14,588                     |
| Supplies  | 20,376                     | 34,585                     |
| Pension expense                                   | 90,070                     | 104,105                    |
| Payroll taxes                                     | 16,894                     | 14,503                     |
| Insurance   | 99,734                     | 86,648                     |
| Office supplies and postage                       | 26,070                     | 23,605                     |
| Legal and engineering fees                        | 125,574                    | 92,260                     |
| Accounting fees                                   | 15,082                     | 14,067                     |
| Director fees                                     | 26,571                     | 28,394                     |
| Bad debts   | 33,491                     | -                          |
| Other expenses                                    | 51,371                     | 49,500                     |
| Amortization                                      | 2,272                      | 1,687                      |
| Total expenses                                    | <u>2,153,276</u>           | <u>1,673,501</u>           |
| <b>OPERATING INCOME (LOSS)</b>                    | <b>(7,730)</b>             | <b>565,815</b>             |
| <b>NON-OPERATING INCOME (EXPENSES)</b>            |                            |                            |
| Interest income                                   | 181,013                    | 122,149                    |
| Interest expense                                  | <u>(342,370)</u>           | <u>(247,232)</u>           |
| Total other income (expenses)                     | <u>(161,357)</u>           | <u>(125,083)</u>           |
| <b>NET INCOME (LOSS)</b>                          | <b>(169,087)</b>           | <b>440,732</b>             |
| <b>RETAINED EARNINGS</b> , as previously reported | 1,904,613                  | 1,463,881                  |
| Prior period adjustment                           | 47,019                     | -                          |
| <b>RETAINED EARNINGS</b> , as restated            | <u>1,951,632</u>           | <u>1,463,881</u>           |
| <b>RETAINED EARNINGS, ENDING</b>                  | <u><u>\$ 1,782,545</u></u> | <u><u>\$ 1,904,613</u></u> |

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

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

|  | <u>2000</u>               | <u>1999</u>                |
|--|---------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                           |                            |
| Income from operations   | \$ (7,730)                | \$ 565,815                 |
| Items not requiring cash:  |                           |                            |
| Depreciation   | 679,416                   | 320,315                    |
| Amortization   | 2,272                     | 1,687                      |
| Changes in:  |                           |                            |
| Accounts receivable, customers and other   | (31,863)                  | (36,360)                   |
| Inventories  | (8,336)                   | (24,712)                   |
| Prepaid expenses   | (930)                     | (3,085)                    |
| Accounts payable and other accrued expenses  | 105,910                   | 43,662                     |
| Net cash provided by operating activities  | <u>738,739</u>            | <u>867,322</u>             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                           |                            |
| Purchase of investments  | (760,997)                 | -                          |
| Interest income on investments   | 170,933                   | 122,149                    |
| Net cash provided by (used in)<br>investing activities   | <u>(590,064)</u>          | <u>122,149</u>             |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>   |                           |                            |
| Members' tap fees  | 293,650                   | 258,400                    |
| Net cash provided by non-capital<br>financing activities   | <u>293,650</u>            | <u>258,400</u>             |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING<br/>ACTIVITIES:</b>                               |                           |                            |
| Acquisition of operating facilities,<br>Including construction in progress<br>And capitalized interest | (6,011,446)               | (2,100,922)                |
| Net increase in restricted cash and<br>Certificates of deposit   | (25,618)                  | (34,191)                   |
| Payment of loan origination fees   | (28,865)                  | (32,382)                   |
| Proceeds from issuance of long-term debt   | 5,554,437                 | 1,507,091                  |
| Payments on long-term debt obligations   | (316,350)                 | (151,408)                  |
| Proceeds from construction contributions   | 388,974                   | 191,394                    |
| Interest paid on long-term debt obligations  | (357,677)                 | (189,657)                  |
| Net cash used in capital and<br>related financing activities   | <u>(796,545)</u>          | <u>(810,075)</u>           |
| <b>INCREASE (DECREASE) IN CASH AND CASH<br/>EQUIVALENTS</b>  | <b>(354,220)</b>          | <b>437,796</b>             |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF<br/>YEAR</b>  | <b>1,812,045</b>          | <b>1,374,249</b>           |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>  | <b><u>\$1,457,825</u></b> | <b><u>\$ 1,812,045</u></b> |

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

# ADAMS COUNTY REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

### Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Background and Nature of Operations

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

#### Proprietary Fund

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

#### Basis of Accounting

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

Expenses are recognized as liabilities are incurred.

#### Cash and Cash Equivalents

For the purposes of the statement of cash flows, the District considers cash in operating bank accounts, money market accounts, and certificates of deposit with an original maturity of three months or less as cash. Restricted assets are considered to be assets with limited use and, therefore, are not considered as cash equivalents.

## **ADAMS COUNTY REGIONAL WATER DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

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

##### **Inventories**

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

##### **Deferred Financing Costs**

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

##### **Operating Facilities**

Operating facilities are stated at cost. Construction period interest is capitalized as part of construction costs. During the years ended December 31, 2000, and 1999, the District capitalized \$94,048 and \$22,544 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 are capitalized.

##### **Estimates**

The preparation of general purpose 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.

##### **Customer Accounts Receivable**

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

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

**Note 2. RESTRICTED CASH AND CERTIFICATES OF DEPOSIT**

Restricted cash and certificates of deposit consist of savings accounts and certificates of deposit and represent amounts designated as reserved to comply with loan agreements with the U.S. Department of Agriculture Farmers Home Administration (FMHA) described more fully in Note 3.

**Note 3. LONG-TERM DEBT**

On April 21, 1999, the District issued \$2,639,424 in water revenue refunding bonds with rates of 4.5% to 6.5% in order to refinance the existing notes payable to FmHA. The terms of the bonds are identical to the previously issued notes and, therefore, no economic gain has been recognized by the District.

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

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

The following is a summary of changes in long-term debt for the year ended December 31, 2000:

|                                    | <u>Balance<br/>12/31/99</u> | <u>Additions</u> | <u>Payments</u> | <u>Balance<br/>12/31/00</u> |
|------------------------------------|-----------------------------|------------------|-----------------|-----------------------------|
| 1999 water revenue refunding bonds | \$2,543,162                 | \$ -             | \$ 128,562      | \$ 2,414,600                |

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

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

|   | <u>Balance</u><br><u>12/31/99</u> | <u>Additions</u>    | <u>Payments</u>   | <u>Balance</u><br><u>12/31/00</u> |
|---|-----------------------------------|---------------------|-------------------|-----------------------------------|
| Note payable OWDA, payable in semiannual installments of \$66,620 starting Jan. 1, 2000, including interest at 2%, due July 2024.           | 2,574,597                         | -                   | 82,470            | 2,492,127                         |
| Note payable OWDA, payable in 50 semiannual installments of \$59,644 starting Jan. 1, 2000, including interest at 5.86%, due July 2024.     | 1,319,569                         | 55,301              | 27,923            | 1,346,947                         |
| Note payable OWDA, payable in 50 semiannual installments of \$22,396, starting July 1, 2000, including interest at 5.56%, due January 2025. | 601,007                           | 76,964              | 12,710            | 665,261                           |
| Note payable OWDA, payable in 50 semiannual installments of \$56,297, starting July 1, 2000, including interest at 2%, due January 2025.    | 2,035,785                         | 36,108              | 64,685            | 2,007,208                         |
| Note payable OWDA, payable in semiannual installments of \$671,589, starting January 1, 2002 including interest at at 6.39%, due July 2026  | -                                 | 5,480,113           | -                 | 5,480,113                         |
|   | <u>\$9,074,120</u>                | <u>\$ 5,648,486</u> | <u>\$ 316,350</u> | <u>\$ 14,406,256</u>              |

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

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

The annual debt service requirements to maturity, including principal and interest for long-term debt as of December 31, 2000, is as follows:

|            | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|------------|---------------------|---------------------|---------------------|
| 2001       | \$ 151,253          | \$ 201,189          | \$ 352,442          |
| 2002       | 463,288             | 855,668             | 1,318,956           |
| 2003       | 484,432             | 834,675             | 1,319,107           |
| 2004       | 506,469             | 812,566             | 1,319,035           |
| 2005       | 529,647             | 789,288             | 1,318,935           |
| Thereafter | <u>12,271,167</u>   | <u>9,354,267</u>    | <u>21,625,434</u>   |
| Total      | <u>\$14,406,256</u> | <u>\$12,847,653</u> | <u>\$27,253,909</u> |

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

The note payable OWDA is secured by operating facilities.

Bond indentures contain significant requirements for debt reserve and flow of funds through restricted accounts. The District is required to accumulate over a ten year period a reserve balance equal to one annual installment including principal and interest. The reserve balance at December 31, 2000 and 1999 was \$255,463 and \$229,845, respectively. These amounts equaled the required reserve.

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

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

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

**Note 5. MEMBERS' TAP FEES**

The District uses the members' tap fees account to record tap fees collected from new customers (members). Tap fees collected for the years December 31, 2000 and 1999 amount to \$293,650 and \$258,400, respectively.

**Note 6. DEPOSITS**

The District's pooled deposits are categorized to give an indication of the level of risk assumed by the District at December 31, 2000 and 1999. The categories are described as follows:

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

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

Category 3 - Uncollateralized.

Deposits, categorized by level of risk, at December 31, 2000 and 1999 were:

|                                 | <u>Bank</u>         | <u>Category</u>     |                     |             |
|---------------------------------|---------------------|---------------------|---------------------|-------------|
|                                 | <u>Balance</u>      | <u>1</u>            | <u>2</u>            | <u>3</u>    |
| <u>Pooled deposits 12/31/99</u> |                     |                     |                     |             |
| Pooled cash                     | <u>\$ 2,860,596</u> | <u>\$ 1,428,437</u> | <u>\$ 1,432,159</u> | <u>\$ -</u> |
| <u>Pooled deposits 12/31/00</u> |                     |                     |                     |             |
| Pooled cash                     | <u>\$ 3,213,298</u> | <u>\$ 500,000</u>   | <u>\$ 2,713,298</u> | <u>\$ -</u> |

## ADAMS COUNTY REGIONAL WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

#### Note 7. PENSION PLAN

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

#### A. Public Employees Retirement System

##### 1. Plan Description and Funding Policy

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

The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20% for state and local government divisions and 6% for law enforcement divisions. The 2000 employer contribution rate for local government employer units was 10.84% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer. The District's contributions to the PERS of Ohio for the years ended December 31, 2000 and 1999 were \$85,933 and \$104,105 which is equal to 10.65% and 13.55% of covered payroll for 2000 and 1999, respectively.

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

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

2. Other Postemployment Benefits

In addition to the pension benefit obligation described above, PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer's contribution to PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions and requires employers to fund postemployment health care through their contributions to PERS of Ohio. For local government employer units, the rate was 10.84% of covered payroll; 4.30% was the portion that was used to fund health care for the year.

The health inflation and significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 1999. There were 401,339 active contributing participants in the PERS of Ohio as of December 31, 1999. An entry age normal actuarial cost method of valuation was used in determining the present value of benefit liabilities and normal cost. The difference between assumed and actual experience (actuarial gains and losses) became part of unfunded actuarial accrued liability. Using the smoothed market approach for actuarial valuation purposes, assets were adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was 7.75%. An annual increase of 4.75% compounded annually was the base portion of the individual pay increase assumptions, which assumed no change in the number of active employees. Additionally, annual pay increases over and above the 4.75% base increase were assumed to range for .54% to 5.1%. Health care premiums were assumed to increase 4.75% annually.

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

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

The AOther Postemployment Benefit Obligation@ at December 31, 1999 for the PERS of Ohio as a whole determined through an actuarial valuation performed as of that date was \$12,473,600,000. The PERS of Ohio's net assets available for other postemployment benefits as of that date was \$10,805,500,000, leaving an unfunded actuarial accrual liability based on the actuarial cost method of \$1,668,100,000.

The Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for local government divisions. The Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

**Note 8. COMPENSATED ABSENCES**

Full-time, permanent employees of the District are granted vacation benefits in varying amounts based on specified maximums depending on tenure with the District. Sick leave accrues to full-time, permanent employees to specified maximums. Upon termination, employees are entitled to one-half of unused sick hours up to 75 days and all accrued vacation leave. Accrued compensated absences, included in accrued expenses, as of December 31, 2000 and 1999, were \$147,992 and \$129,878, respectively.

**Note 9. CONCENTRATION OF CREDIT RISK**

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

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

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

The balance of operating facilities at December 31, 2000 consists of the following:

|                                     | <u>Balance</u><br><u>12/31/99</u> | <u>Additions</u>    | <u>Deletions</u>    | <u>Balance</u><br><u>12/31/00</u> |
|-------------------------------------|-----------------------------------|---------------------|---------------------|-----------------------------------|
| Land and land improvements          | \$ 410,837                        | \$ 7,812            | \$ -                | \$ 418,649                        |
| Buildings                           | 476,504                           | 10,623              | -                   | 487,127                           |
| Wells and well field improvements   | 966,792                           | 268,514             | -                   | 1,235,306                         |
| Mains, lines and meters             | 7,430,071                         | 6,446,212           | -                   | 13,876,283                        |
| Storage tanks                       | 595,369                           | 775,528             | -                   | 1,370,897                         |
| Water treatment and plant equipment | 401,991                           | 5,335               | -                   | 407,326                           |
| Trucks, tractors and equipment      | 402,400                           | 78,877              | -                   | 481,277                           |
| Office furniture and equipment      | 79,144                            | 2,865               | -                   | 82,009                            |
| Construction in progress            | <u>7,167,580</u>                  | <u>5,656,613</u>    | <u>7,094,040</u>    | <u>5,730,153</u>                  |
| Total                               | <u>\$ 17,930,688</u>              | <u>\$13,252,379</u> | <u>\$ 7,094,040</u> | <u>\$ 24,089,027</u>              |

**Note 11. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, inquiries to employees and natural disasters. Significant risk of losses are covered by commercial insurance.

**Note 12. CONTINGENCIES**

The District is involved in various legal actions arising in the normal course of business. The District intends to vigorously defend these actions. 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 13. DEFERRED COSTS**

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

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## **COMPLIANCE AND INTERNAL CONTROL**

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

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

We have audited the general purpose financial statements of Adams County Regional Water District as of and for the year ended December 31, 2000 and have issued our report thereon dated April 17, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

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

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

This report is intended solely for the information of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Reynolds & Company  
Certified Public Accountants

April 17, 2001





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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Facsimile 614-466-4490

**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  
JULY 31, 2001**