

Adams County Regional Water District
Adams County, Ohio

Regular Audit

January 1, 2009, through December 31, 2009
Fiscal Years Audited Under GAGAS: 2009



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Adams County Regional Water District, Adams County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 7, 2010

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Adams County Regional Water District
Adams County, Ohio
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the business-type activities of the Adams County Regional Water District, Adams County (the District), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2009 and 2008, and the respective changes in financial position and cash flows, thereof, for the years ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the result of our audit.

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer".

Balestra, Harr & Scherer, CPAs, Inc.
April 9, 2010

Adams County Regional Water District

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, 2009. The information should be read in conjunction with the basic financial statements included in this report.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

Financial Highlights

- Assets exceeded liabilities by \$5,805,447 and \$5,898,916 as of December 31, 2009 and 2008 respectively.
- Net assets decreased by \$93,469 in 2009 and increased by \$42,112 in 2008.
- Operating revenues increased by \$258,780 (7.97%) and decreased \$68,951 (2.08%) and operating and maintenance expenses increased by \$90,155 (2.95%) and \$72,836 (2.44%) in 2009 and 2008 respectively.
- Retirement of debt principal totaled \$562,442 and \$623,549 for 2009 and 2008 respectively and additions to debt principal totaled \$-0- for both 2009 and 2008.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, the Statements of Cash Flows and the accompanying notes to the financial statements. These statements report information about the District as a whole and about its activities. The District is a single enterprise fund using proprietary fund accounting, which means these statements are presented in a manner similar to a private-sector business. The statements are presented using the economic resources measurement focus and the accrual basis of accounting.

The Statements of Net Assets presents the District's financial position and reports the resources owned by the District (assets), obligations owed by the District (liabilities) and District net assets (the difference between assets and liabilities). They provide a way to measure the financial health of the District by providing the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

Adams County Regional Water District

Management's Discussion and Analysis (Continued)

Overview of the Financial Statements (Continued)

The Statements of Revenues, Expenses and Changes in Net Assets present a summary of how the District's net assets changed during the year. Revenue is reported when earned and expenses are reported when incurred. These statements measure the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through user fees.

The Statements of Cash Flows provide information about the District's cash receipts and disbursements during the year. They summarize net changes in cash resulting from operating, investing and financing activities.

The notes to the financial statements provide additional information that is essential for a full understanding of the financial statements.

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

The tables below provide a summary of the District's restated financial position and operations for 2009, 2008 and 2007, respectively.

Table 1
Condensed Statement of Net Assets
December 31,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Assets</u>			
Current & other assets	\$ 4,488,782	\$ 4,168,801	\$ 4,433,382
Capital assets, net	15,103,964	16,237,731	16,384,694
Total assets	19,592,746	20,406,532	20,818,076
<u>Liabilities</u>			
Current liabilities	1,243,534	1,374,851	1,266,064
Long-term debt	12,543,765	13,132,765	13,695,207
Total liabilities	13,787,299	14,507,616	14,961,271
<u>Net Assets</u>			
Invested in capital assets, net of related debt	1,971,199	2,542,524	2,065,938
Restricted for debt service	202,297	206,004	383,387
Unrestricted	3,631,951	3,150,388	3,407,480
Total net assets	\$ 5,805,447	\$ 5,898,916	\$ 5,856,805

Adams County Regional Water District

Management's Discussion and Analysis (Continued)

Financial Analysis of the District's Financial Position and Results of Operations (Continued)

As noted earlier, the net assets may serve as a useful indicator of financial position. The District's assets exceeded liabilities by \$5,805,447 as of December 31, 2009, of which \$1,971,199 is for net investment in capital assets; compared to an excess of \$5,898,916 as of December 31, 2008.

The largest portion of the District's net assets is reflected in its cash and certificates of deposit, and its capital assets, less accumulated depreciation and related debt outstanding. The District strives to keep adequate cash reserves on hand in order to maintain or expand its facilities to meet the needs of its customers and to comply with regulatory requirement.

For the year ended December 31, 2009 and 2008 respectively, total assets of the District decreased by \$813,786 and \$411,544 due to depreciation of capital assets. Total liabilities as of December 31, 2009 and 2008 decreased by \$720,317 and \$453,655, respectfully; due mainly to retirement of debt.

The following table summarizes the restated changes in revenues and expenses for the District between 2009, 2008 and 2007:

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Operating revenue</u>			
Sales to customers	\$ 2,611,530	\$ 2,399,659	\$ 2,454,375
Sales to public authorities	773,657	744,434	759,957
Other revenues	121,460	103,774	102,486
Total operating revenue	<u>3,506,647</u>	<u>3,247,867</u>	<u>3,316,818</u>
<u>Non operating revenue</u>			
Tap fee revenue	102,200	154,900	187,200
Grant revenue	39,500	-	150,000
Interest income	94,055	97,153	151,270
Total non operating revenue	<u>235,755</u>	<u>252,053</u>	<u>488,470</u>
Total revenue	<u>3,742,402</u>	<u>3,499,920</u>	<u>3,805,288</u>
<u>Operating expenses</u>			
Operations	1,609,696	1,542,283	1,516,291
Maintenance	202,516	227,478	197,333
Depreciation	1,335,966	1,288,262	1,271,563
Total operating expenses	<u>3,148,178</u>	<u>3,058,023</u>	<u>2,985,187</u>

Adams County Regional Water District

Management's Discussion and Analysis (Continued)

Financial Analysis of the District's Financial Position and Results of Operations (Continued)

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

	2009	2008	2007
<u>Non operating expenses</u>			
Interest expense	684,433	711,452	683,815
Loss on disposal of assets	34,477	-	-
Total non operating expenses	718,910	711,452	683,815
Total expenses	3,867,088	3,769,475	3,669,002
<u>Income (Loss) before contributions & extraordinary item</u>	(124,686)	(269,555)	136,286
Capital contributions	4,677	302,510	39,810
Extraordinary item	26,540	9,156	32,776
Change in net assets	\$ (93,469)	\$ 42,111	\$ 208,872

Operating revenues consist of user charges for water consumption. Operating expenses reflect the cost of providing these services. For the year ended December 31, 2009:

- Operating revenue increased \$52,700 (34.02%) and decreased by \$68,951 (2.08%) in 2009 and 2008 respectively.
- Non-operating revenues decreased by \$16,298 (6.47%) due to decrease in tap fee revenue in 2009 and decreased by \$236,417 (48.40%) due to decrease in tap fee revenue and lack of grant revenue.
- Operating expenses increased by \$90,155 (2.95%) due to an increase in depreciation and operational expenses in 2009 and \$72,836 (2.44%) in 2008 due to an increase in depreciation and maintenance of capital assets. Total expenses increased by \$97,613 (2.59%) and \$100,473 (2.74%) in 2009 and 2008 respectively.

Capital contributions from customers decreased \$297,833 (98.45%) in 2009 and increased by \$262,700 (659.88%) in 2008. These contributions are provided by customers and grants from various agencies and are used to help cover the costs of line extensions.

Adams County Regional Water District

Management's Discussion and Analysis (Continued)

Capital Assets

As of December 31, 2009 and 2008, respectfully, the District had \$15,103,964 and \$16,327,731 invested in capital assets. This amount represents a net decrease \$1,223,767 (7.50%) in 2009 and a decrease of \$146,963 (0.90%) in 2008.

Table 3
Capital Assets
December 31,

	2009	2008	2007
Land and improvements	\$ 834,640	\$ 834,640	\$ 442,904
Construction in progress	108,650	93,388	370,867
Buildings	542,065	519,670	515,125
Wells and wellfield improvements	1,351,191	1,335,217	1,335,217
Mains, lines and meters	24,915,041	24,831,406	24,086,937
Storage tanks	2,143,152	2,207,564	2,035,404
Water treatment & other equipment	1,314,723	1,299,811	1,193,943
Less: Accumulated depreciation	(16,105,498)	(14,883,965)	(13,595,703)
Totals	\$ 15,103,964	\$ 16,237,731	\$ 16,384,694

Major additions in 2009, 2008 and 2007
at cost included:

Line extension	\$ 83,635	\$ 744,469	\$ 213,238
Clayton Tank Rehab	-	-	91,949
Land – 130.59 Acres on US 52	-	391,736	-
	\$ 83,635	\$ 1,136,205	\$ 305,187

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, 2009, the District had total debt outstanding of \$13,132,765 compared to \$13,695,207 at December 31, 2008 and \$14,318,756 at December 31, 2007. This represents a decrease of \$562,442 and \$623,549, respectfully from payments on principal of the debt.

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

Adams County Regional Water District

Management's Discussion and Analysis (Continued)

Economic Factors and 2010 Budget

Adams County Regional Water District changed the minimum usage service rate, which went into effect on January 1, 2009. The minimum water usage was lowered to 1500 gallons from the previous 2000 gallons and the rate increased to \$19.00 from the previous \$17.00. The rate per gallon beyond the minimum remained at \$6.00 per thousand. The wholesale rate also increased by 15 cents per thousand in July 2009 for contracted wholesale entities and by 45 cents per thousand for those wholesale entities operating without a contract.

The number of water taps sold by the District has been steadily declining due to the economic crisis the country has been facing. Only 80 residential taps were sold in 2008 and 2009 saw the District adding only 66 residential taps and 2 fire-flow meter taps to the system. A proposed water line extension in the Lawshe/Louisville road areas coupled with the annual growth of 50 to 60 water taps should make 2010 a better tap-income year.

Improvements made in the District during 2009 included line extensions on Rosie Lane, Holcomb Boulevard, Duffey Road, Parker Road, Foster Road, and Robinson Hollow Road. Other improvements included the Rosie Lane booster station, a solar-powered controller for the Tater Ridge Pit, a lightning and surge protection system at the water treatment plant and well field, a porch addition and guttering at the business office, a stainless steel column for Well #6, the purchase of three meter reading vehicles, and various other purchases to improve the operations of the District.

The operating budget for 2010 is \$3,757,216, which is \$235,710 more than the 2009 budget. Capital improvements scheduled for 2010 include the Lawshe/Louisville Road Water Line Extension, as well as possible extensions for Ebrite Road, Unity Road, Amason Road, State Route 41 South line upgrade, and Horner Chapel Road. Other improvements include pit upgrades at the West Union master meter pit and the Murphin Ridge pit, tank inspections for Decatur Tank and Pumpkin Ridge Tank, an upgrade to the backwash filter tank at the water treatment plant, upgrades to the telemetry system, a trial automatic meter reading system, and various other purchases of equipment and improvements.

Funding for the Lawshe/Louisville Road Water Line Extension has been approved and the construction will be started in 2010. The District will be required to contribute \$143,000 toward the project. The other funding will be grants in the amount of \$900,000 and loans totaling \$1,061,000. The total estimated cost of the project is \$2,104,000.

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 St. Rt. 136, West Union, Ohio 45693.

Adams County Regional Water District
Statements of Net Assets
December 31, 2009 and 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,529,110	\$ 1,301,654
Certificates of deposit	1,827,916	1,819,453
Accounts receivable:		
Customers, net of allowance for doubtful accounts of \$11,201	478,029	467,904
Other receivables	11,931	16,420
Accrued interest receivable	91,924	12,163
Inventories	253,699	248,809
Prepaid expenses	50,115	49,187
Total current assets	4,242,724	3,915,590
NONCURRENT ASSETS		
Restricted cash and certificates of deposit	202,297	206,004
Deferred costs, net	43,761	47,207
Total noncurrent assets	246,058	253,211
CAPITAL ASSETS (at cost)		
Non depreciable capital assets		
Land	785,396	785,396
Construction in progress	108,650	93,388
Total non depreciable assets	894,046	878,784
Depreciable capital assets		
Land and land improvements	49,244	49,244
Buildings	542,065	519,670
Wells and wellfield improvements	1,351,191	1,335,217
Mains, lines and meters	24,915,041	24,831,406
Storage tanks	2,143,152	2,207,564
Water treatment and plant equipment	302,471	288,708
Trucks, tractors and radio equipment	897,727	899,180
Office furniture and equipment	114,525	111,923
Less: accumulated depreciation	(16,105,498)	(14,883,965)
Total depreciable capital assets	14,209,918	15,358,947
Total capital assets (net of depreciation)	15,103,964	16,237,731
Total noncurrent assets	15,350,022	16,490,942
Total assets	\$ 19,592,746	\$ 20,406,532

(Continued)

See accompanying notes to the basic financial statements

Adams County Regional Water District
Statements of Net Assets
December 31, 2009 and 2008

	2009	2008
CURRENT LIABILITIES		
Accounts payable	\$ 32,181	\$ 196,395
Accrued expenses	270,227	252,228
Accrued interest	263,676	274,936
Current portion of long-term debt	589,000	562,442
Customer deposits	88,850	88,850
Total current liabilities	1,243,934	1,374,851
 LONG-TERM DEBT, less current portion	 12,543,765	 13,132,765
Total Liabilities	13,787,699	14,507,616
 NET ASSETS		
Invested in capital assets, net of debt service	1,971,199	2,542,524
Restricted for debt service	202,297	206,004
Unrestricted net assets	3,631,951	3,150,388
Total net assets	\$ 5,805,447	\$ 5,898,916

See accompanying notes to the basic financial statements.

Adams County Regional Water District
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Sales to customers	\$ 2,611,530	\$ 2,399,659
Sales to public authorities	773,657	744,434
Other revenues	121,460	103,774
Total operating revenues	3,506,647	3,247,867
OPERATING EXPENSES		
Salaries	755,396	735,616
Utilities	246,528	244,628
Depreciation expense	1,335,966	1,288,262
Amortization expense	3,446	3,446
Repairs	162,001	136,230
Truck expense	40,515	57,911
Supplies	36,572	35,654
Pension expense	133,017	131,584
Payroll taxes	65,296	59,601
Insurance	249,037	226,463
Office supplies and postage	32,075	33,997
Legal and engineering fees	3,305	4,134
Accounting fees	11,761	18,383
Director fees	26,025	26,400
Advertising	1,251	2,162
Bad debt expense	275	360
Other expenses	45,712	53,192
Total operating expenses	3,148,178	3,058,023
OPERATING INCOME	358,469	189,844
NONOPERATING REVENUES (EXPENSES)		
Tap fee revenue	102,200	154,900
Grant Revenue	39,500	-
Interest income	94,055	97,153
Interest expense	(684,433)	(711,452)
Loss on Disposal of Assets	(34,477)	-
Total nonoperating revenues (expenses)	(483,155)	(459,399)
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(124,686)	(269,555)
CAPITAL CONTRIBUTIONS	4,677	302,510
INCOME(LOSS) BEFORE EXTRAORDINARY ITEM	(120,009)	32,955
INSURANCE PROCEEDS FROM FIRE LOSS	26,540	9,156
CHANGE IN NET ASSETS	(93,469)	42,111
NET ASSETS - BEGINNING OF YEAR	5,898,916	5,856,805
NET ASSETS - END OF YEAR	\$ 5,805,447	\$ 5,898,916

See accompanying notes to the basic financial statements.

Adams County Regional Water District
Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 3,500,611	\$ 3,244,631
Cash payments to employees for services	(755,396)	(735,616)
Cash payments to suppliers for goods and services	(1,035,698)	(1,046,035)
Net Cash Provided By Operating Activities	1,709,517	1,462,980
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income on investments	14,294	135,872
Net Cash Provided By Investing Activities	14,294	135,872
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of operating facilities, including construction in progress and capitalized interest	(399,081)	(774,776)
Demolition Costs	(14,000)	0
Members tap fees	102,200	154,900
Insurance Proceeds	26,540	9,156
Grant Revenue	39,500	0
Proceeds from sale of assets	6,703	
Payments on long term debt obligations	(562,442)	(623,549)
Proceeds from construction contributions	4,677	68,839
Interest paid on long term debt obligations	(695,696)	(725,345)
Net Cash Used In Capital and Related Financing Activities	(1,491,599)	(1,890,775)
NET INCREASE IN CASH AND CASH EQUIVALENTS	232,212	(291,923)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,327,111	3,619,034
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,559,323	\$ 3,327,111
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 358,469	\$ 189,844
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,335,966	1,288,262
Amortization	3,446	3,446
Changes in assets and liabilities:		
Accounts receivable, customers and other	(5,636)	(36,736)
Inventories	(4,890)	(33,359)
Prepaid expenses	(928)	587
Accounts payable and other accrued expenses-excluding capital asset additions	23,490	17,436
Customer deposits	(400)	33,500
Net Cash Provided by Operating Activities	\$ 1,709,517	\$ 1,462,980

See accompanying notes to the basic financial statements.

ADAMS COUNTY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Note 1. DESCRIPTION OF ENTITY

(a) Description of Operations

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

(b) Reporting Entity

The financial reporting entity consists of the Adams County Regional Water District (the primary government). No component units have been separately organized.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Accounting

The District’s basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The District has elected not to follow FASB guidance issued after November 30, 1989.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District’s assets, liabilities, net assets, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and

ADAMS COUNTY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of Presentation and Accounting (Continued)

charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

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

(b) Cash and Cash Equivalents

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

(c) Inventories

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

(d) Deferred Financing Costs

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

ADAMS COUNTY REGIONAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Capital Assets

Capital assets are stated at cost. Construction period interest is capitalized as part of construction costs. During the years ended December 31, 2009 and 2008, no interest was capitalized. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred; major renewals and betterments, over a \$1,000 threshold, are capitalized.

(f) Depreciation

Provision for depreciation has been made on the basis of estimated lives of assets, using the straight-line method. Depreciable lives for the various assets are as follows:

Land improvements	10-20 Years
Building	45 Years
Wells and wellfield improvements	10-20 Years
Mains, lines and meters	20-50 Years
Storage tanks	10-50 Years
Equipment	5-10 Years

(g) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

(h) Customer Accounts Receivable

Customer accounts receivable are stated at face value, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through a provision for doubtful accounts charged to expense. Doubtful accounts are 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, 2009 AND 2008

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities. Revenues are recognized when earned and expenses when incurred. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the District's policy to apply those expenses to unrestricted net assets to the extent such are available and then to restricted net assets.

(j) Net Assets

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

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

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

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

Of the District's \$202,297 in restricted net assets, none were restricted by enabling legislation.

ADAMS COUNTY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Investments and Investment Policy

The District has adopted an investment and depository policy, which states that the District will invest in the following instruments, as provided by Section 135.35 of the Ohio Revised Code.

- Securities of the United States Government
- Federal agency obligations
- Repurchase agreements
- State of Ohio bonds and other obligations
- No-load money market mutual funds
- State Treasurer's investment pool (STAROhio)
- Certain bankers' acceptances and commercial paper notes

(l) Budgetary Process

Recent Ohio Attorney General Opinion No. 99-020 has clarified that the budget process described in Chapter 5705, Revised Code, applies to the District, regardless of whether the District levies property taxes. These documents are required to be prepared in accordance with the Ohio Revised Code, but are not required to be filed with the county auditor or county budget commission. The District must henceforth adopt annual appropriations, limited by estimated resources. Expenditures will be limited by appropriations.

The District's Board of Trustees did adopt an operating budget for 2009. A summary of budgetary information for 2009 appears in Note 19.

(m) Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2009 are recorded as prepaid items using the consumption method. A current asset of the prepaid amount is recorded at the time of purchase and as an expense in the year in which the services are consumed.

ADAMS COUNTY REGIONAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Note 3. RESTRICTED CASH AND CERTIFICATES OF DEPOSIT

Restricted cash and certificates of deposit consist of savings accounts and certificates of deposit and represent amounts designated as reserved to comply with loan agreements with the U.S. Department of Agriculture Farmers Home Administration (FMHA) described more fully in Note 4.

Note 4. LONG-TERM DEBT

On April 21, 1999, the District issued \$2,639,424, in water revenue refunding bonds with rates of 4.5% to 6.5% in order to refinance the existing notes payable to FMHA. The terms of the bonds are identical to the previously issued notes and, therefore, no economic gain has been recognized by the District. During 2005, the District issued \$144,000 in a water revenue refunding bond to acquire equipment in connection with the District's water supply system. The bond has a rate of 4.25% with a final maturity date in 2015.

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

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

ADAMS COUNTY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Note 4. LONG-TERM DEBT (Continued)

The annual debt service requirements to maturity, including principal and interest for long-term debt as of December 31, 2009, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	589,000	668,974	1,257,974
2011	617,193	640,783	1,257,976
2012	647,297	611,023	1,258,320
2013	678,293	579,588	1,257,881
2014	711,665	546,414	1,258,079
2015-2019	3,936,563	2,176,396	6,112,959
2020-2024	4,463,081	1,123,522	5,586,603
2025-2029	1,409,473	131,592	1,541,065
2030-2034	80,200	11,142	91,342
Total	<u>\$ 13,132,765</u>	<u>\$ 6,489,434</u>	<u>\$ 19,622,199</u>

ADAMS COUNTY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Note 4. LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term debt for the year ended December 31, 2009:

	<u>Balance</u> <u>12/31/08</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/09</u>	<u>Due Within</u> <u>One Year</u>
1999 water revenue refunding bonds	\$ 1,344,600	\$ -	\$ 84,600	\$ 1,260,000	\$ 88,700
2005 water revenue refunding bond	106,900		13,400	93,500	14,000
Note payable OWDA, payable in semiannual installments of \$342,839 starting January 1, 2002, including interest at 6.39%, due July, 2026.	7,271,829		224,539	7,047,290	239,116
Note payable OWDA, payable in semiannual installments of \$66,981 starting Jan. 1, 2000, including interest at 2%, due July, 2024.	1,818,924		97,584	1,721,340	99,535
Note payable OWDA, payable in 50 semiannual installments of \$54,013 starting Jan. 1, 2000, including interest at 5.86%, due July, 2024.	1,101,672		43,468	1,058,204	46,015
Note payable OWDA, payable in 50 semiannual installments of \$25,260, starting July 1, 2000, including interest at 5.56%, due January, 2025.	541,006		20,724	520,282	21,892
Note payable OWDA, payable in 50 semiannual installments of \$53,061, starting July 1, 2000, including interest at 2%, due January, 2025.	1,478,814		76,546	1,402,268	78,078
Note payable OWDA, payable in 40 semiannual installments of \$1,591, starting July 1, 2003, including interest at 5.15%, due January, 2022.	31,462		1,581	29,881	1,664
	<u>\$13,695,207</u>	<u>\$ 0</u>	<u>\$ 562,442</u>	<u>\$13,132,765</u>	<u>\$ 589,000</u>

ADAMS COUNTY REGIONAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Note 4. LONG-TERM DEBT (Continued)

Capital assets, together with all revenue and service charges which may arise from the operations of the District, are pledged for the payment of revenue bond debt.

The notes payable OWDA are secured by operating facilities.

Bond indentures contain significant requirements for debt reserve and flow of funds through restricted accounts. The District is required to accumulate over a ten year period a reserve balance equal to one annual installment including principal and interest.

The reserve balance at December 31, 2009 and 2008 was \$202,297 and \$206,004 respectively. This amount equaled the required reserve.

Note 5. CONTRIBUTIONS IN AID OF CONSTRUCTION

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

Note 6. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

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

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

ADAMS COUNTY REGIONAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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

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

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

ADAMS COUNTY REGIONAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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

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, 2009 and 2008, the District had \$172 and \$149 respectively, in undeposited cash on hand which is included on the statement of net assets of the District as part of "cash and cash equivalents".

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, 2009 and 2008 were \$3,559,151 and \$3,326,962, respectively.

ADAMS COUNTY REGIONAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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

Of the bank balances at December 31, 2009 and 2008 all were covered either by federal depository insurance or collateral held by the pledging bank's trust department but not in the District's name pursuant to Section 135.181 Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

Although the pledging bank has an investment and securities pool used to collateralize all public deposits, which are held in the financial institution's name, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC. The deposits not covered by federal depository insurance are considered uninsured and uncollateralized under the provisions of GASB Statement No. 3 and subject to custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the government's investments in a single issuer. The District's investment policy does not address concentration of credit risk.

Note 7. POST-EMPLOYMENT BENEFITS

Statement 45 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension*, establishes standards for disclosure of information on post-employment benefits other than pension benefits by all state and local government employers.

(a) Plan Description

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

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

ADAMS COUNTY REGIONAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Note 7. POST-EMPLOYMENT BENEFITS (Continued)

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.

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

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

(b) Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employers contributed at 17.63%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

ADAMS COUNTY REGIONAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Note 7. POST-EMPLOYMENT BENEFITS (Continued)

(b) Funding Policy (Continued)

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 7.00% from January 1 through March 31, 2009 and 5.5% from April through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

(c) District Contributions

The district's contribution to OPERS for the years ended December 31, 2009, 2008 and 2007 to fund post-employment benefits were \$46,911, \$53,310 and \$42,661 respectfully.

(d) OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year periods beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Note 8. PENSION BENEFITS

Statement 27 of the Governmental Accounting Standards Board (GASB), *Accounting for Pensions by State and Local Governmental Employers*, as amended by Statement 50 of the Governmental Accounting Standards Board (GASB), *Pension Disclosures an amendment of GASB Statements No. 25 and No. 27*, establishes standards for disclosures of information on pension benefits by all state and local government employers.

(a) Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

ADAMS COUNTY REGIONAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Note 8. PENSION BENEFITS (Continued)

1. The Traditional Pension Plan-a cost sharing, multiple-employer defined benefit pension plan.
 2. The Member-Directed Plan-a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
 3. The Combined Plan-a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to 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 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 2009, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2009 member contribution rates were 10.0% for members in state and local classifications. Public safety and law enforcement members, contributed 10.1%.

ADAMS COUNTY REGIONAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Note 8. PENSION BENEFITS (Continued)

The 2009 employer contribution rate for state and local employers was 14.00% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2009 was 17.63%.

- (f) The District contributed \$111,847, \$110,619, and \$127,680 to the plan for 2009, 2008 and 2007.

Note 9. TERMINATION BENEFITS

The District's liabilities for benefits upon termination of employment are not estimable and, therefore, have not been recognized in the financial statements.

ADAMS COUNTY REGIONAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Note 10. CAPITAL ASSETS

The balance of capital assets at December 31, 2009 consists of the following:

	Balance 12/31/08	Additions	Dispositions	Balance 12/31/09
Land and land improvements	\$ 834,640			\$ 834,640
Accumulated depreciation	(22,951)	(2,411)		(25,362)
Buildings	519,670	22,395		542,065
Accumulated depreciation	(270,238)	(15,595)		(285,833)
Wells and wellfield improvements	1,335,217	15,974		1,351,191
Accumulated depreciation	(1,138,362)	(29,512)		(1,167,874)
Mains, lines and meters	24,831,406	83,635		24,915,041
Accumulated depreciation	(11,252,412)	(1,059,523)		(12,311,935)
Storage tanks	2,207,564	14,822	79,234	2,143,152
Accumulated depreciation	(1,144,267)	(154,468)	(52,214)	(1,246,521)
Water treatment and plant equipment	288,708	13,763		302,471
Accumulated depreciation	(267,331)	(4,004)		(271,335)
Trucks, tractors and radio equipment	899,180	60,923	62,376	897,727
Accumulated depreciation	(716,288)	(60,283)	(62,219)	(714,352)
Office furniture and equipment	111,923	2,602		114,525
Accumulated depreciation	(72,116)	(10,170)		(82,286)
Construction in progress	93,388	38,788	23,526.00	108,650
Total	<u>\$ 16,237,731</u>	<u>\$(1,083,064)</u>	<u>\$ 50,703</u>	<u>\$ 15,103,964</u>

ADAMS COUNTY REGIONAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Note 11. 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, 2009 and 2008 were \$206,149 and \$189,325 respectively.

Note 12. ECONOMIC DEPENDENCY

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

Note 13. RISK MANAGEMENT

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

Note 14. CONTINGENCIES

The District is involved in various open workers' compensation cases. The ultimate resolution of these matters is not ascertainable at this time. No provision has been made in the financial statements related to these claims.

Note 15. DEFERRED COSTS

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

Note 16. ADVERTISING COSTS

The District expenses advertising costs as incurred. Advertising expenses amounted to \$1,251 and \$2,162 in 2009 and 2008 respectively.

ADAMS COUNTY REGIONAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Note 17. INSURANCE PROCEEDS

During 2008 a barn located on the District's well field property burned. The barn's book value at the time of the fire was zero (-0-). The District received insurance recoveries of \$-0- and \$9,156 in 2009 and 2008 respectively.

During 2009 lightning strikes damaged well field property. The District received insurance recoveries of \$25,939.

During 2009 the District received insurance recoveries of \$601 due to a truck accident.

The recoveries are reported as a separate line item on the Statement of Revenues, Expenses and Changes in Net Assets.

Note 18. NON CASH FINANCING ACTIVITIES

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

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

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

ADAMS COUNTY REGIONAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Note 19. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2009 was as follows:

<u>Budgeted and Actual Receipts</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Water	\$3,728,700	\$3,742,402	\$13,702
Total	<u>\$3,728,700</u>	<u>\$3,742,402</u>	<u>\$13,702</u>

<u>Budgeted and Actual Budgetary Basis Expenditures</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Water	\$4,857,472	\$3,867,088	\$990,384
Total	<u>\$4,857,472</u>	<u>\$3,867,088</u>	<u>\$990,384</u>



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based Required
by *Government Auditing Standards***

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

We have audited the financial statements of the business-type activities of Adams County Regional Water District, Adams County, (the District) as of and for the years ended December 31, 2009 and 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

A 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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

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

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

Balestra, Harr & Scherer, CPAs, Inc.
April 9, 2010



Mary Taylor, CPA
Auditor of State

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
MAY 20, 2010**