



Dave Yost • Auditor of State



**ADAMS COUNTY REGIONAL WATER DISTRICT  
ADAMS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Adams County Regional Water District, Adams County, Ohio (the District), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Adams County Regional Water District, Adams County, Ohio, as of December 31, 2014 and 2013, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole. The Budgetary Comparison Schedule presents additional analysis and is not a required part of the basic financial statements.

We did not subject the Budgetary Comparison Schedule to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

April 30, 2015

# 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, 2014. 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 \$7,568,053 and \$7,465,849 as of December 31, 2014 and 2013 respectively.
- Net positions increased by \$102,204 and \$1,048,784 in 2014 and 2013 respectively.
- Operating revenues increased by \$57,419 (1.46%) and by \$230,945 (6.23%) and operating and maintenance expenses increased by \$203,862 (6.18%) and decreased by \$123,602 (3.61%) in 2014 and 2013 respectively.
- Retirement of debt principal totaled \$728,499 and \$687,883 for 2014 and 2013 respectively and additions to debt principal totaled \$130,920 for 2014 and \$124,287 for 2013.

### Overview of the Financial Statements

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

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

# 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 Position present a summary of how the District's net position changed during the year. Revenue is reported when earned and expenses are reported when incurred. These statements measure the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through user fees.

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

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

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

The tables below provide a summary of the District's financial position and operations for 2014, 2013, and 2012 respectively.

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

	2014	2013	2012
<u>Assets</u>			
Current & other assets	\$ 5,515,916	\$ 5,156,349	\$ 4,709,292
Capital assets, net	13,467,771	14,334,609	14,277,828
<b>Total assets</b>	<b>18,983,687</b>	<b>19,490,958</b>	<b>18,987,120</b>
<u>Liabilities</u>			
Current liabilities	1,303,174	1,279,889	1,220,641
Long-term debt	10,112,460	10,745,220	11,349,414
<b>Total liabilities</b>	<b>11,415,634</b>	<b>12,025,109</b>	<b>12,570,055</b>
<u>Net Position</u>			
Invested in capital assets, net of related debt	2,372,154	2,607,326	1,988,209
Restricted for debt service	219,477	219,140	218,900
Unrestricted	4,976,422	4,639,383	4,209,956
<b>Total net position</b>	<b>\$ 7,568,053</b>	<b>\$ 7,465,849</b>	<b>\$ 6,417,065</b>

# Adams County Regional Water District

## Management's Discussion and Analysis (Continued)

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

As noted earlier, the net position may serve as a useful indicator of financial position. The District's assets exceeded liabilities by \$7,568,053 as of December 31, 2014 compared to an excess of \$7,465,849 as of December 31, 2013. The net investment in capital assets as of December 31, 2014 was \$2,372,154 in comparison to \$2,607,326 as of December 31, 2013.

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

For the year ended December 31, 2014 and 2013 respectively, total assets of the District decreased by \$507,271 and increased by \$503,838 due to additional construction, and depreciation of capital assets. Total liabilities as of December 31, 2014 and 2013 decreased by \$609,475 and \$544,946 respectfully due mainly to retirement of debt.

The following table summarizes the changes in revenues and expenses for the District between 2014, 2013, and 2012:

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Operating revenue</u>			
Sales to customers	\$ 3,082,447	\$ 2,989,270	\$ 2,780,097
Sales to public authorities	768,714	798,897	788,450
Other revenues	143,172	148,747	137,422
<b>Total operating revenue</b>	<u>3,994,333</u>	<u>3,936,914</u>	<u>3,705,969</u>
<u>Non-operating revenue</u>			
Tap fee revenue	74,100	116,500	88,300
Grant revenue	-0-	697,223	-0-
Interest income	39,273	36,837	31,076
Insurance Proceeds	2,289	-0-	-0-
Principal forgiveness revenue	-0-	126,982	-0-
Gain on disposal of assets	3,642	755	48,007
<b>Total non-operating revenue</b>	<u>119,304</u>	<u>978,297</u>	<u>167,383</u>
<b>Total revenue</b>	<u>4,113,637</u>	<u>4,915,211</u>	<u>3,873,352</u>
<u>Operating expenses</u>			
Operations	1,816,187	1,697,085	1,829,538
Maintenance	278,028	215,118	230,710
Depreciation	<u>1,409,992</u>	<u>1,388,142</u>	<u>1,363,699</u>
<b>Total operating expenses</b>	<u>3,504,207</u>	<u>3,300,345</u>	<u>3,423,947</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 Position**  
**For the Years Ended December 31,**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Non-operating expenses</u>			
Interest expense	\$ 517,778	\$ 589,990	\$ 611,046
<b>Total non-operating expenses</b>	<u>517,778</u>	<u>589,990</u>	<u>611,046</u>
<b>Total expenses</b>	<u>4,021,985</u>	<u>3,890,335</u>	<u>4,034,993</u>
<u>Income (Loss) before contributions</u>	91,652	1,024,876	(161,641)
<b>Capital contributions</b>	<u>40,528</u>	<u>23,908</u>	<u>23,299</u>
<b>Change in net position</b>	<u>\$ 132,180</u>	<u>\$ 1,048,784</u>	<u>(138,342)</u>

Operating revenues consist of user charges for water consumption. Operating expenses reflect the cost of providing these services. For the year ended December 31, 2014:

- Operating revenue increased \$57,419 (1.46%) and \$230,945 (6.23%) in 2014 and 2013 respectively.
- Non-operating revenues decreased by \$858,993 (87.80%) and increased by \$810,914 (484.46%) due to a decrease and increase in grant revenue in 2014 and 2013 respectively.
- Operating expenses increased by \$203,862 (6.18%) and decreased by \$123,602 (3.61%) due to an increase and decrease in salaries, utilities, repairs, and insurance in 2014 and 2013 respectively. Total expenses increased by \$131,650 (3.38%) and decreased by \$144,658 (3.58%) in 2014, and 2013 respectively.

Capital contributions from customers increased by \$16,620 (69.52%) and \$609 (2.61%) in 2014 and 2013 respectively. 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, 2014 and 2013 respectively, the District had \$13,248,294 and \$14,081,044 invested in capital assets. This amount represents a net decrease of \$832,750 (5.91%) in 2014 and net increase of \$55,538 (0.39%) 2013.

**Table 3**  
**Capital Assets**  
**December 31,**

	2014	2013	2012
Land and improvements	\$ 871,073	\$ 869,073	\$ 861,907
Construction in progress	65,913	1,094,611	100,967
Buildings	614,522	609,419	548,884
Wells and wellfield improvements	1,554,805	1,554,805	1,554,805
Mains, lines, and meters	28,614,463	27,516,347	27,180,602
Storage tanks	2,432,455	2,117,715	2,117,715
Water treatment & other equipment	1,657,211	1,558,974	1,513,886
Less: Accumulated depreciation	\$ (22,562,148)	(21,239,900)	(19,853,260)
<b>Totals</b>	<b>\$ 13,248,294</b>	<b>14,081,044</b>	<b>14,025,506</b>

Major additions in 2014, 2013,  
and 2012 at cost included:

GIS system	\$ -0-	33,155	\$ -0-
Security system upgrade	-0-	26,936	-0-
Line extension	-0-	24,882	-0-
Pump and motor rebuilds	-0-	-0-	148,486
AMR meters installation	-0-	234,940	44,114
(2) 2014 GMC Sierra Trucks	50,514	-0-	-0-
Sunshine Ridge Line & Tank	1,158,921	-0-	-0-
2015 Ford F-350 Utility Truck	35,925	-0-	-0-
Meter Change Out Program	185,388	-0-	-0-
VFD Installation (Phase I)	65,638	-0-	-0-
	<b>\$ 1,496,386</b>	<b>\$ 319,913</b>	<b>\$ 192,600</b>

### Debt Administration

The District finances its construction primarily through the issuance of revenue bonds or through low interest loan programs with the State of Ohio. At December 31, 2014, the District had total debt outstanding of \$10,876,140 compared to \$11,473,718 at December 31, 2013. This represents a net decrease in 2014 of \$597,578 and 2013 of \$563,579 due to principal payments on debt.

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

# **Adams County Regional Water District**

## **Management's Discussion and Analysis (Continued)**

### **Economic Factors for 2014 and Budget for 2015**

Adams County Regional Water District increased water rates in January of 2013. The minimum bill was raised to \$20 for the first 1000 gallons and \$6.50 per thousand thereafter for a 5/8" tap. Larger-sized taps increased proportionately. Wholesale rates increased to \$3.35 per thousand in July of 2013.

The number of water taps sold by the District remained minimal as in the last few years due to the economic status of the country. A total of 57 taps were sold in 2014. The District anticipates selling approximately 50 taps on existing lines in 2015 with an additional 35 to 40 taps being sold on new lines.

Improvements made in the District during 2014 included small line extensions on Tony Road, Dusty Road, Cloverleaf Drive, Lorena Crawford Road, Buckeye Station Road, McCann Road, Morgan Road, and a small line extension on State Route 247. Upgrades were made to the District's equipment at the water treatment plant, the camera and security system at the office complex, and the installation of more automatic meter read (AMR) meters in the distribution system. The first phase of the installation of variable frequency drives (VFD's) on the high service pumps at the water treatment plant was performed. This should save on electrical costs and deterioration of the existing equipment. Various pieces of equipment and tools were purchased for use in the daily operation of the District, including two pick-up trucks, a utility service truck, a plasma cutter, and tap drilling machine.

The operating budget for 2015 is \$4,058,540. Capital improvements scheduled for 2015 include Phase II of the installation of variable frequency drives (VFD's), the installation of more AMR meters, improvements on existing buildings, upgrades to water lines, installation of new water treatment plant meters, water storage tank inspections, and a possible well cleaning. Various small tools and office equipment will be purchased as needed.

The District will be installing water lines in the Bettys Creek/Poplar Grove area and the Peach Mountain area. This will consist of approximately 9 miles of water line and a water tank and booster station at an engineer's estimated cost of \$1,015,600. The project is scheduled to be started in March of 2015. Various grants and loans were obtained for the construction of this project.

The District is also seeking funding for a water tank in the Louisville Road area and hopes to secure the funding for construction in the summer of 2015.

# **Adams County Regional Water District**

## **Management's Discussion and Analysis (Continued)**

### **Contacting the District's Financial Management**

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

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**ADAMS COUNTY REGIONAL WATER DISTRICT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2014 AND 2013**

	<b>ASSETS</b>	
	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,153,009	\$ 1,898,310
Certificates of deposit	2,262,011	2,260,361
Accounts receivable:		
Customers, net of allowance for doubtful accounts of \$11,201	553,449	577,164
Other receivables	5,908	17,131
Accrued interest receivable	73,406	40,541
Inventories	424,292	321,619
Prepaid expenses	43,841	41,223
Total current assets	<u>5,515,916</u>	<u>5,156,349</u>
<b>NON CURRENT ASSETS</b>		
Restricted cash and certificates of deposit	219,477	219,140
Deferred costs, net	0	34,425
<b>CAPITAL ASSETS (at cost)</b>		
Non depreciable capital assets		
Land	787,396	785,396
Construction in progress	65,913	1,094,611
Total non depreciable assets	<u>853,309</u>	<u>1,880,007</u>
Depreciable capital assets		
Land and land improvements	83,677	83,677
Buildings	614,522	609,419
Wells and wellfield improvements	1,554,805	1,554,805
Mains, lines and meters	28,614,463	27,516,347
Storage tanks	2,432,455	2,117,715
Water treatment and plant equipment	426,294	335,276
Trucks, tractors and radio equipment	1,117,328	1,097,065
Office furniture and equipment	113,589	126,633
Less: accumulated depreciation	<u>(22,562,148)</u>	<u>(21,239,900)</u>
Total depreciable capital assets	<u>12,394,985</u>	<u>12,201,037</u>
Total capital assets (net of depreciation)	<u>13,248,294</u>	<u>14,081,044</u>
Total non current assets	<u>13,467,771</u>	<u>14,334,609</u>
<b>TOTAL ASSETS</b>	<u>\$ 18,983,687</u>	<u>\$ 19,490,958</u>

**ADAMS COUNTY REGIONAL WATER DISTRICT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 34,801	\$ 45,607
Accrued expenses	233,688	219,265
Accrued interest	247,755	260,669
Current portion of long-term debt	763,680	728,498
Customer deposits	<u>23,250</u>	<u>25,850</u>
<b>Total current liabilities</b>	1,303,174	1,279,889
<b>LONG-TERM DEBT, less current portion</b>	<u>10,112,460</u>	<u>10,745,220</u>
<b>Total liabilities</b>	<u>11,415,634</u>	<u>12,025,109</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,372,154	2,607,326
Restricted for debt service	219,477	219,140
Unrestricted net position	<u>4,976,422</u>	<u>4,639,383</u>
<b>Total net position</b>	<u>\$ 7,568,053</u>	<u>\$ 7,465,849</u>

**ADAMS COUNTY REGIONAL WATER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE PERIODS ENDING DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES</b>		
Sales to customers	\$ 3,082,447	\$ 2,989,270
Sales to public authorities	768,714	798,897
Other revenues	143,172	148,747
Total operating revenues	<u>3,994,333</u>	<u>3,936,914</u>
<b>OPERATING EXPENSES</b>		
Salaries	794,029	786,133
Utilities	302,072	260,389
Depreciation expense	1,409,992	1,388,142
Amortization expense	-	3,446
Repairs	219,713	158,938
Truck expense	58,315	56,180
Supplies	38,989	37,244
Pension expense	138,498	136,162
Payroll taxes	25,357	12,397
Insurance - other than health	45,178	43,755
Insurance - health & life	274,259	264,111
Office supplies and postage	31,567	33,312
Legal and engineering fees	3,602	9,689
Accounting fees	18,693	16,208
Director fees	34,800	26,400
Advertising	2,585	2,586
Bank charges	95	95
Bad debt expense	128	527
Other expenses	106,335	17,942
Total operating expenses	<u>3,504,207</u>	<u>3,253,656</u>
<b>OPERATING INCOME (LOSS)</b>	490,126	683,258
<b>NON OPERATING REVENUES (EXPENSES)</b>		
Tap fee revenue	74,100	116,500
Grant revenue	-	697,223
Interest income	39,273	18,236
Interest expense	(517,778)	(589,990)
Insurance Proceeds	2,289	-
Principal Forgiveness Revenue	-	126,982
Gain (Loss) on Disposal of Assets	3,642	755
Total non operating revenues (expenses)	<u>(398,474)</u>	<u>369,706</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	91,652	1,052,964
<b>CAPITAL CONTRIBUTIONS</b>	<u>40,528</u>	<u>23,908</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	132,180	1,076,872
<b>NET POSITION</b>		
Beginning of year	7,465,849	6,417,065
End of year	<u>\$ 7,598,029</u>	<u>\$ 7,493,937</u>

**ADAMS COUNTY REGIONAL WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE PERIODS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 4,026,668	\$ 3,946,295
Cash payments to employees for services	(794,029)	(786,133)
Cash payments to suppliers for goods and services	<u>(1,397,409)</u>	<u>(1,134,393)</u>
<b>Net Cash Provided By Operating Activities</b>	1,835,230	2,025,769
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income on investments	<u>6,409</u>	<u>15,718</u>
<b>Net Cash Provided By Investing Activities</b>	6,409	15,718
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of operating facilities, including construction in progress and capitalized interest	(577,261)	(1,450,557)
Members' tap fees	74,100	116,500
Borrowings on long term obligations	130,920	124,287
Principal forgiveness revenue	-	126,982
Insurance proceeds	2,289	-
Grant revenue	-	697,223
Proceeds from sale of assets	3,662	3,200
Payments on long term debt obligations	(728,499)	(687,883)
Proceeds from construction contributions	40,528	23,908
Interest paid on long term debt obligations	<u>(530,692)</u>	<u>(560,794)</u>
<b>Net Cash Used In Capital and Related Financing Activities</b>	<u>(1,584,953)</u>	<u>(1,607,134)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	256,686	434,353
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>4,377,811</u>	<u>3,943,458</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 4,634,497</u>	<u>\$ 4,377,811</u>

**ADAMS COUNTY REGIONAL WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE PERIODS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>RECONCILIATION OF OPERATING INCOME TO</b>		
<b>NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 490,126	\$ 636,569
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,409,992	1,388,142
Amortization	-	3,446
Changes in assets and liabilities:		
Accounts receivable, customers and other	34,937	10,880
Inventories	(102,673)	(2,167)
Prepaid expenses	1,831	(537)
Accounts payable and other accrued expenses	3,617	(9,064)
Customer deposits	(2,600)	(1,500)
	<u>\$ 1,835,230</u>	<u>\$ 2,025,769</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 1,835,230</u></b>	<b><u>\$ 2,025,769</u></b>

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**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**Note 1. DESCRIPTION OF ENTITY**

**(a) Description of Operations**

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

**(b) Reporting Entity**

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

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

**(a) Cash and Cash Equivalents**

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

**(b) Inventories**

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

**(c) Capital Assets**

Capital assets are stated at cost. Construction period interest is capitalized as part of construction costs. During the years ended December 31, 2014 and 2013, the District capitalized \$30,496 and \$27,745 interest respectively. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred; major renewals and betterments, over a \$1,000 threshold, are capitalized.

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

**(d) Depreciation**

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

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

**(e) Estimates**

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

**(f) Customer Accounts Receivable**

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

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

**(g) Operating Revenues and Expenses**

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

**(h) Net Position**

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

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

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

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

Of the District's \$219,477 in restricted net position, none were restricted by enabling legislation.

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

**(i) Investments and Investment Policy**

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

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

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

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

**Note 5. LONG-TERM DEBT**

On April 21, 1999, the District issued \$2,639,424, in water revenue refunding bonds with rates of 4.5% to 6.5% in order to refinance the existing notes payable to FMHA. The terms of the bonds are identical to the previously issued notes and, therefore, no economic gain has been recognized by the District. During 2005, the District issued \$144,000 in a water revenue refunding bond to acquire equipment in connection with the District's water supply system. The bond has a rate of 4.25% with a final maturity date in 2015. During 2011, the District entered into two long term debt arrangements related to the Lawshe Road Waterline Extension. The District borrowed \$173,713 from the Ohio Public Works Commission. The loan has a -0-% interest rate and a final maturity in 2041. The District also obtained a Water Resource Revenue Bond from the United States of America Department of Agriculture for \$736,000 at a rate of 2.38% with a maturity of 2050.

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

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

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

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

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

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

The annual debt service requirements to maturity, including principal and interest for long-term debt as of December 31, 2014, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 763,681	\$ 526,284	\$ 1,289,965
2016	760,529	489,448	1,249,977
2017	797,946	452,322	1,250,268
2018	837,540	413,123	1,250,663
2019	858,629	371,674	1,230,303
2020-2024	4,553,657	1,207,222	5,760,879
2025-2029	1,568,247	211,086	1,779,333
2030-2034	253,994	75,733	329,727
2035-2039	190,376	47,954	238,330
2040-2044	178,271	29,456	207,727
2045-2049	130,800	12,795	143,595
2050	<u>28,000</u>	<u>665</u>	<u>28,665</u>
Total	<u>\$10,921,670</u>	<u>\$ 3,837,762</u>	<u>\$ 14,759,432</u>

The following is a summary of changes in long-term debt for the year ended December 31, 2014:

	<u>Balance</u> <u>12/31/13</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/14</u>	<u>Due within</u> <u>One Year</u>
1999 water revenue refunding bonds	\$ 761,800	\$ -	\$ 99,700	\$ 662,100	\$ 104,900
2005 water revenue refunding bond	33,800	-	16,600	17,200	17,200
2011 water resource revenue bond	701,500	-	12,000	689,500	12,400

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

	<u>Balance 12/31/13</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/14</u>	<u>Due within One Year</u>
Note payable OWDA, payable in semiannual Installments of \$342,839 starting January 1, 2002, including interest at 6.39%, due July 2026	5,993,587	-	307,525	5,686,062	327,488
Note payable OWDA, payable in semiannual installments of \$66,981 starting January 1, 2000, including interest at 2%, due July 2024	1,311,095	-	107,740	1,203,355	109,895
Note payable OWDA, Payable in 50 semiannual Installments of \$54,013 starting January 1, 2000, including interest at 5.86%, due July 2024	857,322	-	57,787	799,535	61,173
Note payable OWDA, payable in 50 semiannual installments of \$25,260, starting July 1, 2000, including interest at 5.56%, due January 2025	425,026	-	27,262	397,764	28,799
Note payable OWDA, payable in 50 semiannual installments of \$53,061, starting July 1, 2000, including interest at 2%, due January 2025	1,080,465	-	84,513	995,952	86,203
Note payable OWDA, payable in 40 semiannual installments of \$1,591, starting July 1, 2003, including interest at 5.15%, due January 2022	22,686	-	2,039	20,647	2,146

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

	<u>Balance</u> <u>12/31/13</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/14</u>	<u>Due within</u> <u>One Year</u>
Note payable OPW, payable in 60 semiannual installments of \$2,895, starting January 1, 2012, -0-% interest due July 2041	162,132	-	5,790	156,342	5,790
Note payable OWDA, payable in 60 semiannual installments of \$6,581, starting January 1, 2014, including interest at 1.88%, due July 2043	<u>\$ 124,305</u>	<u>\$ 130,920</u>	<u>\$ 7,544</u>	<u>\$ 247,683</u>	<u>\$ 7,686</u>
	<u>\$ 11,473,718</u>	<u>\$ 130,920</u>	<u>\$ 728,500</u>	<u>\$ 10,876,140</u>	<u>\$ 763,680</u>

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

The notes payable OWDA and OPW are secured by operating facilities.

Bond indentures contain significant requirements for debt reserve and flow of funds through restricted accounts. The District is required to accumulate over a ten year period a reserve balance equal to one annual installment including principal and interest. The reserve balance at December 31, 2014 and 2013 was \$219,477 and \$219,140 respectively. This amount equaled the required reserve.

**Note 6. CONTRIBUTIONS IN AID OF CONSTRUCTION**

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

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

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

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

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

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

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

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

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

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

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

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

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, 2014 and 2013, the District had \$149 and \$131 respectively, in undeposited cash on hand which is included on the statement of net position of the District as part of "cash and cash equivalents".

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. The District is required to categorize deposits and investments according to GASB Statement No. 3, *Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements*. The bank balances of the District's deposits at December 31, 2014 and 2013 were \$4,634,342 and \$3,939,404 respectively.

Of the bank balances at December 31, 2014 and 2013, 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.

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

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

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

**Note 8. PENSION BENEFITS**

Statement 27 of the Governmental Accounting Standards Board (GASB), *Accounting for Pensions by State and Local Governmental Employers*, requires public employers to provide detailed disclosure of pension information in financial statements and accompanying information.

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

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**Note 8. PENSION BENEFITS (Continued)**

- (b) OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- (c) Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- (d) OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.
- (e) The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety officers participate in only the Traditional Pension Plan.
- (f) The 2014 member contribution rates were 10.00% of earnable salary for members in state and local classifications. Public safety and law enforcement members contributed 12.00% and 13.00% respectively.
- (g) The 2014 employer contribution rate for state and local employers was 14.00% of earnable salary. The law enforcement and public safety division, employer contribution rate was 18.10% of earnable salary.
- (h) The District contributed \$116,455, \$114,490, and \$120,882 to the plan for 2014, 2013, and 2012, respectively.
- (i) In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement 27, and is effective for employer fiscal years beginning after June 15, 2014.

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**Note 9. POST-EMPLOYMENT BENEFITS**

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

(a) Plan Description

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide the OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

(b) Funding Policy

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2014, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 2.00% during the calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0% for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

(c) District Contributions

The district's contributions to OPERS to fund post-employment benefits were \$16,630, \$8,175, and \$34,536 for 2014, 2013, and 2012, respectively.

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

**(d) OPERS Board of Trustees Adopt Changes to the Health Care Plan**

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

**Note 10. TERMINATION BENEFITS**

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

**Note 11. CAPITAL ASSETS**

The balance of capital assets at December 31, 2014 consists of the following:

	<u>Balance</u> <u>12/31/2013</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>12/31/2014</u>
Land and land improvements	\$ 869,073	\$ 2,000	\$ -	\$ 871,073
Accumulated depreciation	(37,118)	(3,583)	-	(40,701)
Buildings	609,419	5,103	-	614,522
Accumulated depreciation	(350,356)	(20,235)	-	(370,591)
Wells and wellfield improve- Ments	1,554,805	-	-	1,554,805
Accumulated depreciation	(1,289,487)	(36,761)	-	(1,326,248)
Mains, lines and meters	27,516,347	1,098,116	-	28,614,463
Accumulated depreciation	(16,790,956)	(1,198,518)	-	(17,989,474)
Storage tanks	2,117,715	314,740	-	2,432,455
Accumulated depreciation	(1,534,686)	(75,421)	-	(1,610,107)
Water treatment and plant equipment	335,276	91,017	-	426,293
Accumulated depreciation	(287,632)	(7,141)	-	(294,772)
Trucks, tractors and radio equipment	1,097,066	94,983	74,721	1,117,328
Accumulated depreciation	(836,840)	(63,378)	(74,701)	(825,517)
Office furniture and equipment	126,633	-	13,044	113,589
Accumulated depreciation	(112,827)	(4,954)	(13,044)	(104,737)
Construction in progress	1,094,611	130,968	1,159,666	65,913
Total	<u>\$ 14,081,044</u>	<u>\$ 326,936</u>	<u>\$ 1,159,686</u>	<u>\$ 13,248,294</u>

## ADAMS COUNTY REGIONAL WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS (Continued) FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

#### **Note 12. COMPENSATED ABSENCES**

Full-time, permanent employees of the District are granted vacation benefits in varying amounts based on specified maximums depending on tenure with the District. Sick leave accrues to full-time, permanent employees to specified maximums. Upon termination, employees are entitled to one-half of unused sick hours up to 75 days and all accrued vacation leave. Accrued compensated absences, included in accrued expenses, as of December 31, 2014 and 2013 were \$204,206 and \$196,844 respectively.

#### **Note 13. ECONOMIC DEPENDENCY**

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

#### **Note 14. RISK MANAGEMENT**

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

#### **Note 15. CONTINGENCIES**

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

#### **Note 16. ADVERTISING COSTS**

The District expenses advertising costs as incurred. Advertising expenses amounted to \$2,585 and \$2,586 in 2014 and 2013 respectively.

#### **Note 17. PRIOR PERIOD ADJUSTMENT**

The following discloses the restatement of net position as of the beginning of the year:

**ADAMS COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>Net Position</u>
Net position, beginning of year, as previously stated:	\$ 7,465,849
Decrease due to removal of unamortized basis of deferred loan fees	<u>(29,976)</u>
Net position, beginning of year, as restated	<u>\$ 7,435,873</u>

**Note 18. SUBSEQUENT EVENTS**

A memorandum of Understanding between the Adams County Board of Commissioners and the Adams County Regional Water District during 2014 provided the District was awarded a grant of funds subject to the condition that the District provide a local matching contribution in the amount of \$230,100 loan from the Ohio EPA. On February 12, 2015, the District's Board authorized the General Manager to apply for a Water Supply Revolving Loan Account (WSRLA) with the OEPA and OWDA for planning, design, and/or construction of Water Facilities on behalf of the District. The District received a letter from the Ohio Environmental Protection Agency dated April 6, 2015 that the application for assistance was approved.

The project is titled the Berry's Creek Peach Mountain Waterline Extension. The total funding for the project is: \$230,100 Ohio Environmental Protection Agency loan; \$250,000 Appalachian Regional Commission Grant; \$27,600 FY 2013 Formula Grant; and \$507,600 Community Development Block Grant Funds.

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>RECEIPTS/REVENUES</b>				
Sales to rural customers	\$2,900,000	\$2,900,000	\$3,082,447	\$ 182,447
Sales to public authorities	780,000	780,000	768,714	(11,286)
Interest income	32,000	32,000	39,273	7,273
Other revenue	110,000	110,000	143,152	33,152
Tap fees collected	65,000	65,000	74,100	9,100
Contributions revenue	-	-	40,528	40,528
Insurance proceeds	-	-	2,289	2,289
Proceeds from sale of assets	-	-	3,662	3,662
Transfer from savings	<u>212,550</u>	<u>212,550</u>	<u>-</u>	<u>(212,550)</u>
Total receipts	4,099,550	4,099,550	4,154,166	54,616
<b>DISBURSEMENTS/EXPENDITURES</b>				
Salaries	825,000	825,000	794,030	30,970
Utilities	300,000	310,000	307,924	2,076
Repairs and inventories	220,000	360,000	234,259	125,741
Truck expense	64,000	64,000	58,315	5,685
Supplies	40,000	40,000	38,989	1,011
Pension expense	144,000	144,000	138,499	5,501
Payroll taxes	29,000	29,000	25,715	3,285
Insurance	340,000	340,000	315,876	24,124
Office supplies & postage	40,000	40,000	31,775	8,225
Legal and engineering	6,000	6,000	3,602	2,398
Accounting	18,000	20,000	18,693	1,307
Trustee fees	34,800	34,800	34,800	-
Other expenses	72,000	120,000	108,401	11,599
Debt service	1,287,650	1,290,000	1,289,704	296
Capital expenditures	<u>679,100</u>	<u>476,750</u>	<u>415,845</u>	<u>60,905</u>
Total disbursements	4,099,550	4,099,550	3,816,428	283,122
Excess receipts over Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 337,738</u>	<u>\$ 337,738</u>



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Adams County Regional Water District, Adams County, Ohio, (the District) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 30, 2015.

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

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

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

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

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

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

April 30, 2015



# Dave Yost • Auditor of State

**ADAMS COUNTY REGIONAL WATER DISTRICT**

**ADAMS COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 12, 2015**