



Dave Yost • Auditor of State

**LE-AX REGIONAL WATER DISTRICT
ATHENS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Le-Ax Regional Water District
Athens County
6000 Industrial Road
Athens, Ohio 45701

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statement of the cash balance, receipts and disbursements, and related notes of Le-Ax Regional Water District, Athens County, Ohio (the District), as of and for the year ended December 31, 2015

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on this financial statement 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 statement is 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 statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the District prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2015, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of Le-Ax Regional Water District, Athens County, Ohio, as of December 31, 2015, and its cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the District elected to change its financial presentation to the cash basis of accounting.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2016, 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

July 11, 2016

**LE-AX REGIONAL WATER DISTRICT
ATHENS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2015**

Operating Cash Receipts:	
Water Sales	\$3,510,463
Tap Sales	61,330
Miscellaneous	83,298
	<u>3,655,091</u>
 <i>Total Operating Cash Receipts</i>	
	<u>3,655,091</u>
Operating Cash Disbursements:	
Plant Expenses	244,405
Office Expenses	165,145
Employee Expenses	1,414,984
Professional Fees	74,223
Utilities	272,989
Repairs and Maintenance	300,394
Vehicle Expenses	42,133
Capital Outlay	675,028
	<u>675,028</u>
 <i>Total Operating Cash Disbursements</i>	
	<u>3,189,301</u>
 <i>Operating Income</i>	
	<u>465,790</u>
Non-Operating Cash Receipt:	
Interest Income	8,317
	<u>8,317</u>
 <i>Total Non-Operating Cash Receipt</i>	
	<u>8,317</u>
Non-Operating Cash Disbursement:	
Debt Service	665,635
	<u>665,635</u>
 <i>Total Non-Operating Cash Disbursement</i>	
	<u>665,635</u>
 <i>Net Receipts (Under) Disbursements</i>	
	<u>(191,528)</u>
 Cash Balance, January 1	
	<u>3,797,079</u>
 Cash Balance, December 31	
	<u><u>\$3,605,551</u></u>

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

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**LE-AX REGIONAL WATER DISTRICT
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Le-Ax Regional Water District is a water district organized under the provisions of § 6119 of the Ohio Revised Code by the Common Pleas Court of Athens County in August of 1981. The District has exercised its authority to issue revenue bonds and notes, which are payable from the revenues of the District, to finance the cost of projects that benefit the District and its customers. The District is authorized to levy taxes for the current expenses of the District or for the issuance of bonds upon approval of a majority of the electorate. The District may also assess real estate improvements and issue bonds in anticipation of the collection of such special assessments. The District has not exercised these taxing powers. The District operates under the direction of a five-member board of trustees. An appointed staff consisting of a general manager, superintendent, and three office clerks are responsible for fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the water district users and for industrial and business use. The District serves all or parts of the following political subdivisions:

<u>Athens County</u>	<u>Meigs County</u>	<u>Vinton County</u>
Alexander Township	Columbia Township	Know Township
Athens Township	Scipio Township	Brown Township
Canaan Township	Bedford Township	Madison Township
Lee Township		Vinton Township
Waterloo Township	<u>Hocking County</u>	
York Township	Starr Township	
Village of Albany	Green Township	

The financial reporting entity, as described by Governmental Accounting Standards Board Statement No. 14, is the "primary government." A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability are the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity. The District does not have financial accountability over any entities; i.e. there are no component units. Furthermore, as a political subdivision, the District is distinct from, and is not an agency of, the State of Ohio or any other local government unit. The District is not subject to federal, state, or local income taxes.

The District's management believes the basic financial statements included in this report represent all activities over which the District has the ability to exercise direct operating control.

B. Accounting Basis

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

**LE-AX REGIONAL WATER DISTRICT
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Accounting Basis (Continued)

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits

The District had three, interest bearing checking accounts and three certificates of deposit during the audit period.

D. Budgetary Process

The Ohio Revised Code requires the Board to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function or object level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2015 budgetary activity appears in Note 3.

E. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements does not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	<u>2015</u>
Demand deposits	\$2,555,183
Certificates of deposit	<u>1,050,368</u>
Total deposits	<u><u>\$3,605,551</u></u>

**LE-AX REGIONAL WATER DISTRICT
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

2. EQUITY IN POOLED DEPOSITS (Continued)

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2015 follows:

Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$3,777,621	\$3,663,408	(\$114,213)

Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$4,019,873	\$4,174,062	(\$154,189)

4. DEBT

Debt outstanding at December 31, 2015 was as follows:

USDA - Collector Well 2	\$3,070,045	2.63%
USDA - Poston Project	5,175,117	4.50%
USDA - Vinton County	1,311,078	4.25%
OWDA #5918	26,667	0.00%
Total	\$9,725,426	

The Ohio Water Development Authority (OWDA) #5918 loan used for waterline expansion in order to serve the increasing number of customers. The revenue of the District was pledged to repay this debt. The original balance of the interest-free loan was \$30,189. The debt instrument requires semi-annual payments of \$503 for principal retirement.

Ohio Water Development Authority (OWDA) Mortgage Revenue Bonds issued in February 1997 for the construction of various fixed assets to provide service from the well to the distribution lines, including the operations plant and various storage facilities. Property and revenue of the District is pledged to repay these amounts. The original balance of the obligation was \$1,200,328 accruing interest charges at 2.00% per year. The debt instrument requires semi-annual payments of \$36,704 for principal and interest retirement.

United States Department of Agriculture – Rural Development (USDA/RD) Revenue Bonds were issued in July 2009 for the construction of a new collector well, access road and water line. Revenue of the District is pledged to repay these bonds. The original balance of the obligation was \$3,284,000 accruing interest charges at 2.625% per year. The debt instrument requires semi-annual payments of \$137,633 for principal and interest retirement.

**LE-AX REGIONAL WATER DISTRICT
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

4. DEBT (Continued)

United States Department of Agriculture – Rural Development (USDA/RD) Revenue Bonds were issued in February 1997 for the construction of various fixed assets to provide service from the well to the distribution lines including the operation plant and various storage facilities. Revenue of the District has been pledged to repay these bonds. The original balance of the obligation was \$6,844,000 accruing interest charges at 4.50% per year. The debt instrument requires annual payments of \$375,432 for principal and interest retirement.

United States Department of Agriculture – Rural Development (USDA/RD) Revenue Bonds were issued in April 2007 for the improvement and expansion of the over-all water system through the construction of additional water lines and storage facilities. Revenue of the District has been pledged to repay these bonds. The original balance of the obligation was \$1,476,000 accruing interest charges at 4.25% per year. The debt instrument requires annual payments of \$78,155 for principal and interest repayment.

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31	OWDA Revenue Bonds		USDA Collector Well 2		USDA Poston Project	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 70,558	\$ 2,850	\$ 57,044	\$ 80,589	\$ 142,552	\$ 232,880
2017	71,961	1,448	58,542	79,091	148,967	226,465
2018			60,078	77,554	155,670	219,762
2019			61,656	75,978	162,675	212,757
2020			63,274	74,359	169,996	205,436
2021-2025			342,173	345,992	971,848	905,314
2026-2030			389,504	298,661	1,211,099	666,061
2031-2035			443,382	244,783	1,509,250	367,910
2036-2040			504,712	183,453	703,060	47,805
2041-2045			574,525	113,639		
2046-2049			515,155	34,200		
	<u>\$ 142,519</u>	<u>\$ 4,298</u>	<u>\$ 3,070,045</u>	<u>\$ 1,608,299</u>	<u>\$ 5,175,117</u>	<u>\$ 3,084,390</u>

Year Ending December 31	USDA Vinton County		OWDA #5918	Total	
	Principal	Interest	Principal	Principal	Interest
2016	\$22,434	\$55,721	\$1,006	\$293,594	\$372,040
2017	23,388	54,767	1,006	303,863	361,771
2018	24,381	53,773	1,006	241,135	351,089
2019	25,418	52,737	1,006	250,755	341,472
2020	26,498	51,657	1,006	260,774	331,452
2021-2025	150,371	240,404	5,032	1,469,424	1,491,710
2026-2030	185,159	205,616	5,032	1,790,794	1,170,338
2031-2035	227,995	162,780	5,032	2,185,659	612,693
2036-2040	280,740	110,035	5,032	1,493,544	341,293
2041-2045	344,694	45,086	1,509	920,728	158,725
2046-2049				515,155	34,200
	<u>\$1,311,078</u>	<u>\$1,032,576</u>	<u>\$26,667</u>	<u>\$9,725,425</u>	<u>\$5,566,783</u>

**LE-AX REGIONAL WATER DISTRICT
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

5. RETIREMENT SYSTEM

The District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2015, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2015.

6. RISK MANAGEMENT

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Settled Claims have not exceeded any aforementioned commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior years.

Workers compensation benefits are provided through the State Bureau of Workers' Compensation.

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

Le-Ax Regional Water District
Athens County
6000 Industrial Road
Athens, Ohio 45701

To the Board of Directors:

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 statement of Le-Ax Regional Water District, Athens County, Ohio (the District), as of and for the year ended December 31, 2015, and the related notes to the financial statement and have issued our report thereon dated July 11, 2016, wherein we noted the District elected to change its financial reporting to the cash basis of accounting and followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

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 statement. 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 statement is 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*.

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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

July 11, 2016

**LE-AX REGIONAL WATER DISTRICT
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Ohio Admin . Code § 117-2-02(A) – Material misstatement requiring financial statement adjustment.	Yes	N/A

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LE-AX REGIONAL WATER DISTRICT

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 26, 2016