



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
P.O. Box 97
The Plains, Ohio 45780

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Le-Ax Regional Water District, Athens 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 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 those risks of financial statement material 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 overall financial statement presentation.

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* 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. The District did not include *Management's Discussion and Analysis* to supplement the basic financial statements. Our opinion was not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 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

September 29, 2015

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

**STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014**

Assets

Current Assets:

Cash and Cash Equivalents	\$1,497,074
Accounts Receivable	330,861
Inventories	97,725
Prepaid Expenses	<u>30,006</u>
 Total Current Assets	 <u>1,955,666</u>

Restricted Assets:

Restricted Cash	2,300,005
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Noncurrent Assets:

Capital Assets:

Land and Easements	332,635
Depreciable Capital Assets (Net of Depreciation)	<u>14,988,777</u>
Capital Assets (Net of Depreciation)	15,321,412

Organizational Expense (Net of Accumulated Amortization)	<u>1,896</u>
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<i>Total Noncurrent Assets:</i>	<u>15,323,308</u>
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<i>Total Assets</i>	<u>19,578,979</u>
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Liabilities

Current Liabilities:

Accounts Payable	31,187
Accrued Wages and Compensated Leave	198,064
Accrued Payroll Deductions	12,009
Accrued Interest Payable	296,827
Notes Payable - Current Portion	<u>283,699</u>

<i>Total Current Liabilities</i>	<u>821,786</u>
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Long Term Liabilities:

Long Term Notes Payable	<u>9,725,427</u>
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<i>Total Liabilities</i>	<u>10,547,213</u>
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Net Position

Invested in Capital Assets, Net of Related Debt	5,312,286
Restricted	2,300,005
Unrestricted	<u>1,419,475</u>

<i>Total Net Position</i>	<u><u>\$9,031,766</u></u>
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The notes to the financial statements are an integral part of this statement.

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014**

Operating Revenues:	
Water Sales	\$3,467,685
Tap Sales	53,540
Miscellaneous Income	<u>95,784</u>
Total Operating Revenues	<u>3,617,009</u>
Operating Expenses:	
Plant Expense	292,125
Office Expense	159,861
Employee Expense	1,295,384
Professional Fees	73,092
Utilities	270,268
Repairs and Maintenance	350,768
Vehicle Expense	66,802
Depreciation and Amortization	<u>756,458</u>
Total Operating Expenses	<u>3,264,758</u>
Operating Income	352,251
Non-Operating Revenues/(Expenses):	
Interest Income	11,194
Interest Expense	<u>(383,117)</u>
Total Non-Operating Revenues/(Expenses)	<u>(371,923)</u>
Change in Net Assets	(19,672)
Net Assets - January 1	<u>9,051,438</u>
Net Assets - December 31	<u><u>\$9,031,766</u></u>

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

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Cash Flows From Operating Activities:	
Cash Received from Water Sales and Tap Fees	\$3,519,129
Cash Received from Reimbursement and Miscellaneous Income	95,784
Cash Payments to Supplies for Goods and Services	(1,213,321)
Cash Payments to Employees for Services	<u>(1,313,705)</u>
<i>Net Cash Provided By Operating Activities</i>	<u>1,087,887</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(226,695)
Principal Paid on Long-Term Debt	(274,169)
Interest Paid	<u>(342,877)</u>
<i>Net Cash (Used By) Capital and Related Financing Activities</i>	<u>(843,741)</u>
Cash Flows From Investing Activities:	
Interest Received	<u>11,194</u>
<i>Net Cash Provided By Investing Activities</i>	<u>11,194</u>
<i>Net Increase in Cash and Cash Equivalents</i>	<u>255,340</u>
<i>Cash and Cash Equivalents Beginning of Year.</i>	3,541,739
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$3,797,079</u></u>
Reconciliation of Operating Income to Net Cash Provided by (Used by)	
<i>Operating Activities:</i>	
Operating Income	\$352,252
<i>Adjustments:</i>	
Depreciation and Amortization	756,458
(Increase) Decrease in Accounts Receivable	(2,096)
(Increase) Decrease in Inventory	(3,741)
Increase (Decrease) in Accounts Payable	3,179
(Increase) Decrease in Prepaid Assets	157
Increase (Decrease) in Payroll Related Liabilities	<u>(18,322)</u>
<i>Total Adjustments</i>	<u>735,635</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$1,087,887</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, 2014
(Continued)**

1. DESCRIPTION OF THE ENTITY

The Le-Ax Water District is a water district organized under the provisions of Section 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 also 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 for certain 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	
Lee Township		<u>Hocking County</u>
Waterloo Township		
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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Basis of Presentation

The District's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The District's operations are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus

All enterprise funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its enterprise activity.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The District's financial statements are prepared using the accrual basis of accounting. On the accrual basis, revenue is recorded on exchange transactions when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include capital contributions. Expenses are recognized at the time they are incurred.

Budgetary Process

The Ohio Revised Code requires the District to budget its funds through adoption of an operating budget by July 15 of each year for the following fiscal year. The operating budget includes estimates for total revenues, total expenses, and debt service requirements for the fiscal year. The District prepares its operating budget on the accrual basis of accounting, the same basis on which its financial statements are prepared.

Cash and Cash Equivalents

Cash in the District's operating account is treated as cash and cash equivalents for the purpose of the Statement of Cash Flows.

Accounts Receivable

The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is included in the financial statements. When amounts are deemed uncollectible, they are expensed in the year in which that determination is made.

Inventory

The inventory of the District consists of expendable materials and supplies. Inventory is valued at cost, which approximates market, utilizing the first in, first out (FIFO) method. The cost is expensed at the time individual inventory items are consumed, if they are used for repairs and/or maintenance. The cost is capitalized if the inventory items are used to install taps for new water users or otherwise expand the system.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the applicable fiscal year ended December 31, 2011 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the period in which those services are consumed.

Restricted Assets

Restricted assets in the enterprise funds represent cash and cash equivalents set aside for repayment of deposits to utility customers.

Capital Assets

Capital assets acquired or constructed for the general use of the District in providing services are recorded at cost. Donated assets are recorded at their estimated fair market value at the time received. The District maintains a capitalization threshold of two thousand dollars. Depreciation of capital assets of the District is calculated utilizing the straight-line method. All assets reported in the financial statements are at cost less accumulated depreciation. The estimated useful lives by major capital asset class are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Water Lines, treatment plant and tanks	40 years
Water meters and installation	20 years
Office building	30 years
Roads and parking lots	10 years
Transportation and other equipment	5 years

Compensated Absences

In accordance with GASB Statement No. 16, Accounting for Compensated Absences, the District records a liability for accumulated unpaid sick, vacation, and compensatory time benefits when earned by employees. Employees earn vacation time at varying rates depending on the duration of their employment. Beginning at the time of employment, employees become vested in accumulated unpaid vacation time. Ohio law requires that vacation time not be accumulated for more than three years. Unused vacation time is payable upon termination of employment. Unused sick leave may be accumulated until retirement. Employees are entitled to payment for accumulated sick leave credit upon retirement. Payment may be made up to a maximum of 25% of accrued sick leave or 240 hours, whichever, is less. Employees may elect compensatory time off in lieu of overtime pay when overtime hours are worked. Upon termination of employment or retirement, employees are entitled to payment for unused compensatory time.

All vacation, sick leave and compensatory time benefits are compensated at the employee's current wage rate at the time of retirement or termination. All unpaid vacation time is accrued as a liability subject to the limits stated above. Unpaid sick leave is accrued as stated above for those employees eligible for retirement plus those who are likely to retire from the District.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses

The District has classified its revenues as either operating or non-operating. Operating revenues are those that are generated directly from the primary activities. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the District. Revenues and expenses not meeting this definition are reported as non-operating.

Long-Term Obligations

Long-term debt and other obligations are reported as liabilities.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

3. DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits determined to be necessary to meet current demands upon the District treasury. Active 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 District 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. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligation of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
 - . No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above 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 (STAR Ohio).
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) above, or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and,
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's average portfolio.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment 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. Payments 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.

Deposits

At year-end 2014, the carrying amount of the District's deposits was \$2,819,791 and the bank balance was \$2,888,313. Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Deposits with financial institutions were covered by federal depository insurance and/or were collateralized by a pool of securities maintained by the District's financial institutions but not in the District's name.

As of December 31, 2014, the District had Certificates of Deposits with carrying values of \$977,088.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Undeposited Cash

At year-end 2014, the District had \$200 in un-deposited cash on hand, included as part of Cash and cash equivalents.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2014 was as follows:

	Balance 12/31/2013	Additions	Deductions	Balance 12/31/2014
Capital Assets not being Depreciated:				
Land and Easements	\$332,635	\$ -	\$ -	\$332,635
Total Capital Assets not being Depreciated	<u>332,635</u>	<u>-</u>	<u>-</u>	<u>332,635</u>
Capital Assets being Depreciated:				
Water Plant and Buildings	4,831,124	-	-	4,831,124
Water Lines, Tanks, Wells	20,316,857	-	-	20,316,857
Roads, Parking Area, Fencing	81,817	-	-	81,817
Water Meters and Installation	1,406,679	37,767	-	1,444,446
Miscellaneous Equipment	775,459	201,102	-	976,561
Office Equipment	45,661	-	-	45,661
Total Capital Assets being Depreciated	<u>27,457,597</u>	<u>238,869</u>	<u>-</u>	<u>27,696,466</u>
Less Accumulated Depreciation:				
Water Plant and Buildings	1,954,130	130,662	-	2,084,792
Water Lines, Tanks, Wells	8,520,192	503,624	-	9,023,816
Roads, Parking Area, Fencing	65,665	3,397	-	69,062
Water Meters and Installation	914,983	43,258	-	958,241
Miscellaneous Equipment	455,635	72,664	-	528,299
Office Equipment	42,432	1,047	-	43,479
Total Accumulated Depreciation	<u>11,953,037</u>	<u>754,652</u>	<u>-</u>	<u>12,707,689</u>
Total Capital Assets being Depreciated, Net	<u>15,504,560</u>	<u>993,521</u>	<u>-</u>	<u>14,988,777</u>
Total Capital Assets, Net	<u>\$15,837,195</u>	<u>\$993,521</u>	<u>\$ -</u>	<u>\$15,321,412</u>

4. CURRENT AND LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2013 is as follows:

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014	Amounts Due in One Year
OWDA Mortgage Revenue	\$279,512		\$67,818	\$211,694	\$69,175
USDA - Collector Well 2	3,179,794		54,163	3,125,631	55,585
USDA - Poston Project	5,442,069		130,539	5,311,530	136,413
USDA - Vinton County	1,353,241		20,642	1,332,599	21,520
OWDA #5918	28,680		1,006	27,674	1,006
Total Long Term Obligations	<u>\$10,283,296</u>	<u>\$ -</u>	<u>\$274,168</u>	<u>\$10,009,128</u>	<u>\$283,699</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

5. CURRENT AND LONG-TERM DEBT (Continued)

Ohio Water Development Authority (OWDA) #5918 loan was used for waterline expansion in order to serve the increasing number of customers. The revenue of the District has been 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 were 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 have been 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 has been 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.

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.

The annual requirements to amortize all bonded debt outstanding including interest as of December 31, 2014 is as follows:

Year Ending December 31	OWDA		USDA		USDA	
	Revenue Bonds		Collector Well 2		Poston Project	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 69,176	\$ 4,234	\$ 55,585	\$ 82,048	\$ 136,413	\$ 239,019
2016	70,558	2,850	57,044	80,589	142,552	232,880
2017	71,960	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
2020-2024			333,422	354,744	929,998	947,164
2025-2029			379,542	308,624	1,158,947	718,213
2030-2034			432,041	266,125	1,444,258	432,902
2035-2039			491,803	154,813	1,032,050	94,247
2040-2044			559,831	128,333		
2045-2049			636,087	50,897		
	<u>\$ 211,694</u>	<u>\$ 8,532</u>	<u>\$ 3,125,631</u>	<u>\$ 1,658,796</u>	<u>\$5,311,530</u>	<u>\$3,323,409</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

5. CURRENT AND LONG-TERM DEBT (Continued)

Year Ending December 31	USDA Vinton County		OWDA #5918	Total	
	Principal	Interest	Principal	Principal	Interest
2015	\$ 21,520	\$ 56,635	\$ 1,006	\$ 283,700	\$ 451,112
2016	22,434	55,721	1,006	293,594	442,598
2017	23,388	54,767	1,006	303,863	433,731
2018	24,382	53,773	1,006	241,136	351,089
2019	25,418	52,737	1,006	250,755	341,472
2020-2024	144,242	246,534	5,032	1,412,694	1,548,442
2025-2029	177,613	213,164	5,032	1,721,134	1,240,001
2030-2034	218,702	172,055	5,032	2,100,033	871,082
2035-2039	269,298	121,480	5,032	1,798,183	370,540
2040-2044	331,597	59,180	2,516	893,944	187,513
2045-2049	74,015	3,146		710,102	54,043
	<u>\$ 1,332,609</u>	<u>\$ 1,089,192</u>	<u>\$ 27,674</u>	<u>\$ 10,009,138</u>	<u>\$ 6,291,623</u>

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.

7. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

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. District to establish and amend benefits is provided by 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>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

7. DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy – The Ohio Revised Code provides statutory District for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2013, employees contributed 10 percent of covered payroll.

The District's 2013 contribution rate was 14.0 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2013, the portion of employer contribution allocated to health care was 1.00 percent for members in the Traditional Plan and the Combined Plan. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2 percent. Employer contribution rates are actuarially determined.

The District's contributions to OPERS for the years ended December 31, 2013, 2012 and 2011 were \$5,944, \$6,129 and \$5,835, respectively, which were equal to the required contributions for those years.

In June 2012, the Government Accounting Standards Board (GASB) issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." This accounting standard replaces GASB Statement 27, and it is effective for employer fiscal years beginning after June 15, 2014. OPERS recommends employers begin a dialog with their external auditors to determine the impact this standard will have on financial statements.

8. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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 for 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. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

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

Disclosures for the health care plan are presented separately in the OPERs financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contributions rates are expressed as a percentage of the covered payroll of active members. In 2013 and 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0% and 4.0% during calendar year 2013 and 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% and 6.05% during calendar year 2013 and 2012.

Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2 percent for both plans, as recommended by the 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.

The District's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$59, \$245, and \$1,667, respectively; the full amount has been contributed for 2013, 2012 and 2011.

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 percent of the employer contributions toward the health care fund after the end of the transition period.



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

Le-Ax Regional Water District
Athens County
P.O. Box 97
The Plains, Ohio 45780

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 basic financial statements of the Le-Ax Regional Water District, Athens County, Ohio (the District), as of and for the year ended December 31, 2014, and the related notes to the financial statements and have issued our report thereon dated September 29, 2015, wherein we noted the District did not include *Management's Discussion and Analysis* to supplement the basic financial statements.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider Finding 2014-001 described in the accompanying Schedule of Findings to be a material weakness.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2014-001.

District's Response to Findings

The District's response to the Finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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.



Dave Yost
Auditor of State
Columbus, Ohio

September 29, 2015

LE-AX REGIONAL WATER DISTRICT
ATHENS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2014-001

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) provides that all local public offices maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

At December 31, 2014, the District classified the total payable relating to debt as current when resulting in an audit adjustment to reduce Current Portion of Long Term Debt and increase Long Term Debt by \$9,725,427, respectively.

This misstatement was caused by a lack of management oversight. As a result, significant adjustment and reclassification, with which the District's management agrees, was made to the financial statements and ledgers and are reflected in the accompanying financial statements.

To ensure the District's financial statements and notes to the financial statements are complete and accurate, the General Manager should review the audit adjustments for guidance on the correct classifications of liabilities of the District in future audit periods.

Official's Response: Le-Ax will work with the CPA to ensure that the District's financial statements are complete and accurate.

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Dave Yost • Auditor of State

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
OCTOBER 13, 2015**