

***BUCKEYE WATER DISTRICT***

**COLUMBIANA COUNTY, OHIO**

**AUDIT REPORT**

**For the Year Ended December 31, 2014**







# Dave Yost • Auditor of State

Board of Directors  
Buckeye Water District  
1925 Clark Avenue  
Wellsville, OH 43968

We have reviewed the *Independent Auditor's Report* of the Buckeye Water District, Columbiana County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

October 6, 2016

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**BUCKEYE WATER DISTRICT  
COLUMBIANA COUNTY**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT**

Buckeye Water District  
Columbiana County  
1925 Clark Avenue  
P.O. Box 105  
Wellsville, Ohio 43968

To the Board of Trustees:

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

We have audited the accompanying financial statements of the business-type activities of the Buckeye Water District, Columbiana 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 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 financial position of the business-type activities of the Buckeye Water District, Columbiana County, Ohio, as of December 31, 2014, and the changes in 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.

**Emphasis of Matter**

As described in Note 3, the District revised its financial statement presentation to the requirements of accounting principles generally accepted in the United States of America. We did not modify our opinion regarding this matter.

**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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 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.



**Charles E. Harris & Associates, Inc.**  
August 18, 2016

**Buckeye Water District**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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This discussion and analysis of the Buckeye Water District's (the District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2014. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Overview of the Financial Statements**

The District's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standard Board (GASB). The financial information of the District is accounted for in a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets greater than or equal to \$5,000 for all items are capitalized and are depreciated over their useful lives. See the notes to the financial statements for a summary of the District's significant accounting policies.

Following this management's discussion and analysis are the basic financial statements of the District together with the notes, which are essential to a full understanding of the data contained in the financial statements. Included in the financial statements for the District are the following:

- Statement of Net Position – This statement presents information on all of the District's assets and liabilities, with the difference between the two reported as net position.
- Statement of Revenues, Expenses and Changes in Net Position – This statement includes all operating and nonoperating revenues and expenses for the District and shows the change in the District's net position during the most recent year.
- Statement of Cash Flows – This statement reports cash and cash equivalent activities for the year resulting from operating, capital and investing activities. A reconciliation of operating income with cash provided from operations is included.

**Financial Highlights**

The District received grants from the United States Department of Agriculture and from the Ohio Public Works Commission during 2014. The grants were used to fund waterline construction projects.

During 2014, the District began drawing on a loan from the Ohio Public Works Commission for the purpose of replacing water meters.

**Buckeye Water District**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2014  
Unaudited

**Financial Position**

Table 1 focuses on the District's financial position and the results of operations for 2014 compared to 2013:

**Table 1**  
**Net Position**

|                                  | 2014               | 2013               | Change             |
|----------------------------------|--------------------|--------------------|--------------------|
| <b>Assets</b>                    |                    |                    |                    |
| Current and Other Assets         | \$2,232,451        | \$1,799,243        | \$433,208          |
| Capital Assets, Net              | 26,463,985         | 27,541,312         | (1,077,327)        |
| <i>Total Assets</i>              | <u>28,696,436</u>  | <u>29,340,555</u>  | <u>(644,119)</u>   |
| <b>Liabilities</b>               |                    |                    |                    |
| Current and Other Liabilities    | 1,293,431          | 1,235,410          | (58,021)           |
| Long-Term Liabilities            | 26,017,476         | 26,312,465         | 294,989            |
| <i>Total Liabilities</i>         | <u>27,310,907</u>  | <u>27,547,875</u>  | <u>236,968</u>     |
| <b>Net Position</b>              |                    |                    |                    |
| Net Investment in Capital Assets | 1,522,753          | 2,144,550          | (621,797)          |
| Restricted for Debt              | 420,000            | 420,000            | 0                  |
| Unrestricted (Deficit)           | (557,224)          | (771,870)          | 214,646            |
| <i>Total Net Position</i>        | <u>\$1,385,529</u> | <u>\$1,792,680</u> | <u>(\$407,151)</u> |

The largest portion of the District's net position reflects investments in capital assets (e.g. land, construction in progress, buildings, improvements, equipment, vehicles and infrastructure), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

The District's financial position decreased from 2013 to 2014 as indicated by the decrease in total net position of \$407,151 which can be mainly attributed to a decrease in capital assets resulting from current year depreciation exceeding capital asset additions.

Long-term liabilities decreased as the District continued to make regular debt payments. During 2014, the District also began drawing on a loan from the Ohio Public Works Commission for the purpose of replacing water meters. The District received additional monies from a loan from the Ohio Water Development Authority; the monies will be used in 2015 for a new pump system.

**Buckeye Water District**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

Table 2 shows the change in net position for the year ended December 31, 2014. Since it is the first year since 2011 that the District has prepared a statement of activities following generally accepted accounting principles, revenue and expense comparisons to 2013 are not available. In future years, when prior year information is available, a comparative analysis of data will be presented.

**Table 2**  
**Change in Net Position**

|                                | 2014        |
|--------------------------------|-------------|
| <b>Revenues</b>                |             |
| Operating Revenue              | \$4,201,551 |
| Non-Operating Revenue          | 599,193     |
| <i>Total Revenue</i>           | 4,800,744   |
| <b>Expenses</b>                |             |
| Operating Expenses             | 4,352,131   |
| Interest & Fiscal Charges      | 855,764     |
| <i>Total Expenses</i>          | 5,207,895   |
| <i>Change in Net Position</i>  | (407,151)   |
| Net Position Beginning of Year | 1,792,680   |
| Net Position End of Year       | \$1,385,529 |

Most of the non-operating revenue for 2014 is made up of capital grants from the United States Department of Agriculture and from the Ohio Public Works Commission. The grants were used to fund waterline construction projects.

The District carefully invests its cash and equivalents in a variety of investment types with the primary focus being safety of principal, but with an attention to investment opportunities to increase yield. The District pays close attention to daily interest rates and long-term financial trends.

The District's expenses exceeded its revenues by \$407,151.

**Buckeye Water District**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

**Capital Assets and Debt Administration**

*Capital Assets*

Table 3 shows 2014 balances compared to 2013.

**Table 3**  
**Capital Assets**

|                           | 2014         | 2013         |
|---------------------------|--------------|--------------|
| Land                      | \$468,990    | \$468,990    |
| Construction in Progress  | 329,928      | 0            |
| Building and Improvements | 13,374,563   | 14,092,036   |
| Equipment and Machinery   | 3,264,932    | 4,027,579    |
| Vehicles                  | 69,695       | 62,069       |
| Water Tank                | 464,573      | 551,100      |
| Infrastructure:           |              |              |
| Water Lines               | 8,491,304    | 8,339,538    |
| Totals                    | \$26,463,985 | \$27,541,312 |

All capital assets are reported net of depreciation. The decrease was due to current year depreciation outpacing capital asset additions. The District has been very aggressive in pursuing funding to assist in the financing of infrastructure projects. See Note 7 to the basic financial statements for additional information on the District's capital assets.

*Debt*

Table 4 below summarizes the District's long-term obligations outstanding.

**Table 4**  
**Debt**

|                           | 2014         | 2013         |
|---------------------------|--------------|--------------|
| OPWC Loans                | \$920,341    | \$642,964    |
| OWDA Loans                | 9,978,349    | 10,354,898   |
| Revenue Bonds             | 14,215,500   | 14,398,900   |
| Promissory Note           | 1,500,000    | 1,500,000    |
| Intergovernmental Payable | 0            | 5,913        |
| Total                     | \$26,614,190 | \$26,902,675 |

The District continues to monitor its outstanding debt. See Note 8 to the basic financial statements for additional information on the District's long-term obligations.

**Buckeye Water District**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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**Current Issues**

In conclusion, the Buckeye Water District is in a period posing both significant challenges and opportunities. Management is committed to working with all stakeholders to craft solutions that will most effectively use the available resources to continue to provide excellent water to the customers of the District.

**Contacting the District's Management**

This financial report is designed to provide our citizens and creditors with a general overview of the District's finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Anthony D'Angelo, Fiscal Officer, at Buckeye Water District, 1925 Clark Avenue, P.O. Box 105, Wellsville, Ohio 43968 or email at [tdangelo@buckeyewater.com](mailto:tdangelo@buckeyewater.com).

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## **Basic Financial Statements**

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**Buckeye Water District**  
*Statement of Fund Net Position*  
December 31, 2014

|  |                    |
|--|--------------------|
| <b>Assets</b>  |                    |
| <i>Current Assets:</i>                                 |                    |
| Equity in Pooled Cash and Cash Equivalents             | \$1,282,661        |
| Accounts Receivable                                    | 367,020            |
| Prepaid Items  | 28,565             |
| Materials and Supplies Inventory                       | <u>134,205</u>     |
| <i>Total Current Assets</i>                            | <u>1,812,451</u>   |
| <i>Noncurrent Assets:</i>                              |                    |
| <i>Restricted Assets:</i>                              |                    |
| Equity in Pooled Cash and Cash Equivalents             | 420,000            |
| Nondepreciable Capital Assets                          | 798,918            |
| Depreciable Capital Assets, Net                        | <u>25,665,067</u>  |
| <i>Total Noncurrent Assets</i>                         | <u>26,883,985</u>  |
| <i>Total Assets</i>                                    | <u>28,696,436</u>  |
| <b>Liabilities</b>                                     |                    |
| <i>Current Liabilities:</i>                            |                    |
| Accounts Payable                                       | 87,074             |
| Accrued Wages  | 35,120             |
| Intergovernmental Payable                              | 20,385             |
| Accrued Interest Payable                               | 291,434            |
| Compensated Absences Payable                           | 64,204             |
| OPWC Loans Payable                                     | 52,551             |
| OWDA Loans Payable                                     | 550,963            |
| Mortgage Revenue Bonds                                 | <u>191,700</u>     |
| <i>Total Current Liabilities</i>                       | <u>1,293,431</u>   |
| <i>Long-Term Liabilities (net of current portion):</i> |                    |
| Compensated Absences Payable                           | 198,500            |
| OPWC Loans Payable                                     | 867,790            |
| OWDA Loans Payable                                     | 9,427,386          |
| Mortgage Revenue Bonds Payable                         | 14,023,800         |
| Promissory Note Payable                                | <u>1,500,000</u>   |
| <i>Total Long-Term Liabilities</i>                     | <u>26,017,476</u>  |
| <i>Total Liabilities</i>                               | <u>27,310,907</u>  |
| <b>Net Position</b>                                    |                    |
| Net Investment in Capital Assets                       | 1,522,753          |
| <i>Restricted for:</i>                                 |                    |
| Debt   | 420,000            |
| Unrestricted (Deficit)                                 | <u>(557,224)</u>   |
| <i>Total Net Position</i>                              | <u>\$1,385,529</u> |

See accompanying notes to the basic financial statements

**Buckeye Water District**  
*Statement of Revenues, Expenses and  
Changes in Fund Net Position  
For the Year Ended December 31, 2014*

|  |                           |
|--|---------------------------|
| <hr/> <hr/>                                    |                           |
| <b>Operating Revenues</b>                      |                           |
| Charges for Services                           | \$3,918,442               |
| Tap-In Fees                                    | 119,259                   |
| Other  | <u>163,850</u>            |
| <i>Total Operating Revenues</i>                | <u>4,201,551</u>          |
| <b>Operating Expenses</b>                      |                           |
| Salaries and Wages                             | 665,394                   |
| Fringe Benefits                                | 339,309                   |
| Contracted Services                            | 953,614                   |
| Materials and Supplies                         | 258,101                   |
| Other Operating Expenses                       | 306                       |
| Depreciation                                   | <u>2,135,407</u>          |
| <i>Total Operating Expenses</i>                | <u>4,352,131</u>          |
| <i>Operating Loss</i>                          | <u>(150,580)</u>          |
| <b>Non-Operating Revenues (Expenses)</b>       |                           |
| Interest                                       | 3,559                     |
| Interest and Fiscal Charges                    | <u>(855,764)</u>          |
| <i>Total Non-Operating Revenues (Expenses)</i> | <u>(852,205)</u>          |
| <i>Loss Before Capital Contributions</i>       | (1,002,785)               |
| Capital Contributions                          | <u>595,634</u>            |
| <i>Change in Net Position</i>                  | (407,151)                 |
| <i>Net Position Beginning of Year</i>          | <u>1,792,680</u>          |
| <i>Net Position End of Year</i>                | <u><u>\$1,385,529</u></u> |

See accompanying notes to the basic financial statements

**Buckeye Water District**  
*Statement of Cash Flows*  
For the Year Ended December 31, 2014

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***Increase (Decrease) in Cash and Cash Equivalents***

|   |             |
|---|-------------|
| <b>Cash Flows from Operating Activities</b>                         |             |
| Cash Received from Sales  | \$3,857,494 |
| Other Cash Receipts   | 163,850     |
| Cash Payments to Employees for Services                             | (985,877)   |
| Cash Payments for Goods and Services                                | (1,198,526) |
| Other Cash Payments   | (530)       |
|   | 1,836,411   |
| <br><b>Cash Flows from Noncapital Financing Activities</b>          |             |
| Interest Payments - Promissory Note                                 | (15,000)    |
| <br><b>Cash Flows from Capital and Related Financing Activities</b> |             |
| Capital Grants  | 595,634     |
| Purchase of Capital Assets  | (1,058,080) |
| OPWC Loans Issued   | 329,928     |
| OWDA Loans Issued   | 172,958     |
| Principal Payments - OPWC Loans                                     | (52,551)    |
| Principal Payments - OWDA Loans                                     | (549,507)   |
| Principal Payments - Revenue Bonds                                  | (183,400)   |
| Principal Payments - Intergovernmental Payable                      | (5,913)     |
| Interest Payments - OWDA Loans                                      | (201,339)   |
| Interest Payments - Revenue Bonds                                   | (647,952)   |
|   | (1,600,222) |
| <br><b>Cash Flows from Investing Activities</b>                     |             |
| Interest on Investments   | 3,559       |
|   | 224,748     |
| <br><i>Net Increase in Cash and Cash Equivalents</i>                |             |
|   | 224,748     |
| <br><i>Cash and Cash Equivalents Beginning of Year</i>              |             |
|   | 1,477,913   |
| <br><i>Cash and Cash Equivalents End of Year</i>                    |             |
|   | \$1,702,661 |

**Reconciliation of Operating Loss to Net Cash Provided by Operating Activities**

|  |                 |
|--|-----------------|
| Operating Loss                                       | (\$150,580)     |
| Adjustments:   |                 |
| Depreciation   | 2,135,407       |
| (Increase) Decrease in Assets:                       |                 |
| Accounts Receivable                                  | (180,207)       |
| Materials and Supplies                               | (37,520)        |
| Prepaid Items  | 9,267           |
| Increase (Decrease) in Liabilities:                  |                 |
| Accounts Payable                                     | 41,219          |
| Accrued Wages  | 4,840           |
| Intergovernmental Payable                            | 963             |
| Compensated Absences Payable                         | 13,022          |
|  | 13,022          |
| <br><i>Net Cash Provided by Operating Activities</i> | <br>\$1,836,411 |

See accompanying notes to the basic financial statements

**Buckeye Water District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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**Note 1 – Description of the Entity**

The Buckeye Water District, Columbiana County, Ohio, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District was formed in 1996 pursuant to Chapter 6119 of the Ohio Revised Code. The District is directed by a 9-member Board of Directors comprised of three members appointed by the Columbiana County Board of Commissioners, three members appointed by the Township Trustees of the townships which comprise part of the District and three members are appointed by the Mayor or Village Council of the Village of Wellsville. Subdivisions within the District are: the Village of Wellsville, Madison, Yellow Creek, Salem, and Middletown Townships and the unincorporated portions of Saint Clair and Liverpool Townships. The District provides water services to residents of the District.

In accordance with the Statements of the Governmental Accounting Standards Board, including GASB No. 14 “The Financial Reporting Entity” as amended by GASB No. 61 “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”, the accompanying financial statements include all funds and activities over which the District is financially accountable.

**Note 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.

The District uses enterprise accounting to maintain its financial records during the year. Enterprise accounting focuses on the determination of operating income, change in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

The District uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The operations of the District are reported as a single enterprise fund.

***Measurement Focus***

The enterprise fund is 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.

**Buckeye Water District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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***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.

***Cash and Investments***

To improve cash management, cash received by the District is pooled and invested. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

The District had no investments in 2014.

***Materials and Supplies Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid items by recording a current asset for the prepaid amount and reflecting the expense in the year in which services are consumed.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions. Restricted assets represent amounts set aside to satisfy bond indenture requirements for current and future debt payments.

**Buckeye Water District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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***Capital Assets***

Capitalized assets utilized by the District are reported on the statement of net position. The District maintains a capitalization threshold of \$5,000 for all capital assets. Property and equipment are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. The cost of maintenance and repairs is expensed as incurred; significant betterments are generally capitalized. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. Donated capital assets are recorded at fair market values as of the date received.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the District's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u>         | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and Improvements | 25 years               |
| Equipment and Machinery    | 5 - 10 years           |
| Vehicles                   | 5 years                |
| Water Tank                 | 15 years               |
| Infrastructure             | 25 years               |

The District's infrastructure consists of waterlines and includes infrastructure acquired by the District since 1996. For 2014, infrastructure capital assets were calculated without the infrastructure assets acquired by transfer agreements.

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The District records a liability for all accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the District has identified as probable of receiving payment in the future (those employees who will be eligible to receive termination payments in the next twenty years). The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the District's termination policy.

***Net Position***

Net position represents the difference between assets and liabilities. Net investment in capital assets, 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 position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Buckeye Water District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are for consumer water consumption. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the District. All revenues and expenses not meeting these definitions are reported as non-operating.

***Estimates***

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

**Note 3 – Change in Financial Statement Presentation and Basis of Accounting**

For the year end 2014, the District has presented financial statements in accordance with generally accepted accounting principles. In conjunction with this presentation, the District has changed its basis of accounting from a cash basis to the accrual basis for its financial statements. This change required that certain adjustments be recorded to the December 31, 2013, net position as previously reported to reflect the prior year's effect of adopting these new accounting principles. These adjustments had the following effect on net position as they were previously reported.

|  |                           |
|--|---------------------------|
| Net Position, December 31, 2013            | \$1,484,711               |
| Adjustments:                               |                           |
| Equity in Pooled Cash and Cash Equivalents | (6,798)                   |
| Receivables                                | 186,813                   |
| Inventory                                  | 96,685                    |
| Prepaid Items                              | 37,832                    |
| Capital Assets, Net of                     |                           |
| Accumulated Depreciation                   | 27,541,312                |
| Current Liabilities                        | (1,235,410)               |
| Long-Term Liabilities                      | <u>(26,312,465)</u>       |
| Restated Net Position, December 31, 2013   | <u><u>\$1,792,680</u></u> |

**Note 4 – Deposits and Investments**

State statutes require the classification of 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.

**Buckeye Water District**  
*Notes to the Basic Financial Statements*  
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Inactive deposits are public deposits the Board of Directors has identified as not required for use within the current two-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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 stabled by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested or deposited in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debenture, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**Buckeye Water District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*  
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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 of 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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. These securities must be obligation of or guaranteed by the United States and mature or be redeemable within 5 year of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name.

***Deposits***

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. At year-end, the carrying amount of the District's deposits was \$1,702,661 and the bank balance was \$1,717,030. As of December 31, \$751,686 of the bank balance was covered by Federal depository insurance with the remaining \$965,344 was not exposed to custodial credit risk. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

***Interest Rate Risk*** State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in repurchase agreements to 30 days and the market value of the securities must exceed the principal value of the agreement by 2 percent and be marked to market daily. The District had no investment policy that would further limit investment choices.

**Note 5 – Litigation**

The District is not currently a party to any legal proceedings which would have a material impact on the financial statements.

**Buckeye Water District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*  
*Unaudited*

**Note 6 – 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; injuries; and natural disasters. During 2014, the District obtained commercial insurance through Cooper Insurance Agency, Incorporated, for all insurance. The coverage and deductibles are as follows:

| Type of Coverage     | Coverage            | Deductible |
|----------------------|---------------------|------------|
| Automobile Liability | \$1,000,000         | \$0        |
| General Liability    | 3,000,000 aggregate | 0          |
| Property Liability   | \$31,372,735        | 2,500      |
| Inland Marine        | \$803,182           | 500        |

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has not been a significant reduction in coverage from the prior year.

Workers' compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**Note 7 – Capital Assets**

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

|   | Balance<br>12/31/2013 | Additions     | Deductions | Balance<br>12/31/2014 |
|---|-----------------------|---------------|------------|-----------------------|
| Capital Assets not being depreciated:       |                       |               |            |                       |
| Land  | \$468,990             | \$0           | \$0        | \$468,990             |
| Construction in Progress                    | 0                     | 329,928       | 0          | 329,928               |
| Total Capital Assets being depreciated      | 468,990               | 329,928       | 0          | 798,918               |
| Capital Assets being depreciated:           |                       |               |            |                       |
| Building and Improvements                   | 17,936,829            | 0             | 0          | 17,936,829            |
| Equipment and Machinery                     | 8,895,199             | 67,377        | 0          | 8,962,576             |
| Vehicles                                    | 540,624               | 53,610        | (43,497)   | 550,737               |
| Water Tank                                  | 1,297,897             | 0             | 0          | 1,297,897             |
| Infrastructure                              |                       |               |            |                       |
| Waterlines                                  | 11,347,446            | 607,165       | 0          | 11,954,611            |
| Total Capital Assets being depreciated      | 40,017,995            | 728,152       | (43,497)   | 40,702,650            |
| Less Accumulated Depreciation:              |                       |               |            |                       |
| Building and Improvements                   | (3,844,793)           | (717,473)     | 0          | (4,562,266)           |
| Equipment and Machinery                     | (4,867,620)           | (830,024)     | 0          | (5,697,644)           |
| Vehicles                                    | (478,555)             | (45,984)      | 43,497     | (481,042)             |
| Water Tank                                  | (746,797)             | (86,527)      | 0          | (833,324)             |
| Infrastructure                              |                       |               |            |                       |
| Waterlines                                  | (3,007,908)           | (455,399)     | 0          | (3,463,307)           |
| Total Accumulated Depreciation              | (12,945,673)          | (2,135,407)   | 43,497     | (15,037,583)          |
| Total Capital Assets being Depreciated, net | 27,072,322            | (1,407,255)   | 0          | 25,665,067            |
| Total Capital Assets, net                   | \$27,541,312          | (\$1,077,327) | \$0        | \$26,463,985          |

**Buckeye Water District**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2014  
Unaudited

**Note 8 – Long-term Obligations**

The original issue date, maturity date, interest rate and original issuance amount for each of the District's bonds and loans follows:

|  | Issue<br>Date | Maturity<br>Date | Interest<br>Rate | Original<br>Issue<br>Amount |
|--|---------------|------------------|------------------|-----------------------------|
| <b><i>Ohio Public Works Commission Loans</i></b>     |               |                  |                  |                             |
| Wellsville Water Treatment Plant Improvements        | 2003          | 2023             | 0.00 %           | \$268,028                   |
| State Route 39 Water Main Feeder                     | 2003          | 2026             | 0.00             | 783,000                     |
| District Water Meter Replacement                     | 2014          | 2030             | 0.00             | Not Finalized               |
| <b><i>Ohio Water Development Authority Loans</i></b> |               |                  |                  |                             |
| Dairy Lane Waterline                                 | 1993          | 2014             | 6.02             | 317,372                     |
| Transmission Main, Pump Station and Intake           | 2006          | 2029             | 2.00             | Not Finalized               |
| Salineville Waterline Extension                      | 2009          | 2040             | 0.00             | 662,137                     |
| <b><i>Revenue Bonds</i></b>                          |               |                  |                  |                             |
| 2002 Series  | 2002          | 2042             | 4.50             | 1,498,000                   |
| 2008 Series  | 2008          | 2048             | 4.50             | 13,800,000                  |
| <b><i>Promissory Note</i></b>                        |               |                  |                  |                             |
| Columbiana County                                    | 2013          | 2018             | 1.00             | 1,500,000                   |

Changes in long-term obligations during the year ended December 31, 2014, consisted of the following:

|  | Balance<br>12/31/13 | Increase         | Decrease         | Balance<br>12/31/14 | Amounts<br>Due in<br>One Year |
|--|---------------------|------------------|------------------|---------------------|-------------------------------|
| <b><i>Ohio Public Works Commission Loans</i></b>           |                     |                  |                  |                     |                               |
| Wellsville Water Treatment Plant Improvements              | \$134,014           | \$0              | \$13,401         | \$120,613           | \$13,401                      |
| State Route 39 Water Main Feeder                           | 508,950             | 0                | 39,150           | 469,800             | 39,150                        |
| District Water Meter Replacement                           | 0                   | 329,928          | 0                | 329,928             | 0                             |
| <b><i>Total Ohio Public Works Commission Loans</i></b>     | <b>642,964</b>      | <b>329,928</b>   | <b>52,551</b>    | <b>920,341</b>      | <b>52,551</b>                 |
| <b><i>Ohio Water Development Authority Loans</i></b>       |                     |                  |                  |                     |                               |
| Dairy Lane Waterline                                       | 26,143              | 0                | 26,143           | 0                   | 0                             |
| Transmission Main, Pump Station and Intake                 | 9,890,274           | 172,958          | 523,254          | 9,539,978           | 533,772                       |
| Salineville Waterline Extension                            | 438,481             | 0                | 110              | 438,371             | 17,191                        |
| <b><i>Total Ohio Water Development Authority Loans</i></b> | <b>10,354,898</b>   | <b>172,958</b>   | <b>549,507</b>   | <b>9,978,349</b>    | <b>550,963</b>                |
| <b><i>Revenue Bonds</i></b>                                |                     |                  |                  |                     |                               |
| 2002 Series  | 1,304,200           | 0                | 22,600           | 1,281,600           | 23,800                        |
| 2008 Series  | 13,094,700          | 0                | 160,800          | 12,933,900          | 167,900                       |
| <b><i>Total Revenue Bonds</i></b>                          | <b>14,398,900</b>   | <b>0</b>         | <b>183,400</b>   | <b>14,215,500</b>   | <b>191,700</b>                |
| <b><i>Other Long-Term Obligations</i></b>                  |                     |                  |                  |                     |                               |
| Promissory Note  | 1,500,000           | 0                | 0                | 1,500,000           | 0                             |
| Intergovernmental Payable                                  | 5,913               | 0                | 5,913            | 0                   | 0                             |
| Compensated Absences Payable                               | 249,682             | 61,543           | 48,521           | 262,704             | 64,204                        |
| <b><i>Total Other Long-Term Obligations</i></b>            | <b>1,755,595</b>    | <b>61,543</b>    | <b>54,434</b>    | <b>1,762,704</b>    | <b>64,204</b>                 |
| <b><i>Total</i></b>  | <b>\$27,152,357</b> | <b>\$564,429</b> | <b>\$839,892</b> | <b>\$26,876,894</b> | <b>\$859,418</b>              |

**Buckeye Water District**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2014  
Unaudited

In April 2013, the District entered into a promissory note agreement with the Columbiana County Board of Commissioners in the amount of \$1,500,000 to resolve litigation with the City of East Liverpool. The District is paying an annual interest rate of 1 percent, and the full principal amount is due in 2018.

In 1996, the Water District entered into a transfer agreement with Columbiana County for the ownership and operation of the water distribution system (the System) for the Townships of Saint Clair, Liverpool, Madison and Yellow Creek, together with certain easements and real property rights and improvements thereon. Columbiana County financed the construction and maintenance of certain portions of the System through the Ohio Public Works Commission. The District assumed all obligations of the System. All proceeds were received by Columbiana County and Columbiana County is responsible for the debt retirement. The District makes bi-annual payments to Columbiana County equal to Columbiana County's bi-annual debt retirement. The total amount owed to Columbiana County was paid off as of December 31, 2014.

The District has pledged future revenues, net of operating expenses, to repay OPWC and OWDA loans, revenue bonds, and the promissory note. The debt is payable solely from net revenues through 2048. Annual principal and interest payments on the debt issues are expected to require 64 percent of net revenues. The total principal remaining to be paid on the debt is \$26,614,190. Principal and interest paid for the current year and net revenues were \$1,655,662 and \$2,584,020, respectively.

Lines of credit have been established with the Ohio Public Works Commission (OPWC) in the amount of \$416,646 for a district water meter replacement project, and with the Ohio Water Development Authority (OWDA) in the amount of \$11,870,111 for a transmission main, pump station and intake project. These loans will not have accurate repayment schedules until the loans are finalized and, therefore, are not included in the schedule of future annual debt service requirements. Until final repayment schedules are available, the District will pay based on estimates. The balances of the OPWC and OWDA loans as of December 31, 2014, are \$329,928 and \$9,539,978, respectively.

| Year      | OPWC<br>Loans | OWDA<br>Loan | Revenue Bonds |              | Promissory Note |          |
|-----------|---------------|--------------|---------------|--------------|-----------------|----------|
|           |               |              | Principal     | Interest     | Principal       | Interest |
| 2015      | \$52,551      | \$17,191     | \$191,700     | \$639,698    | \$0             | \$15,000 |
| 2016      | 52,551        | 17,191       | 200,100       | 631,071      | 0               | 15,000   |
| 2017      | 52,551        | 17,191       | 209,400       | 622,067      | 0               | 15,000   |
| 2018      | 52,552        | 17,191       | 218,600       | 612,644      | 1,500,000       | 15,000   |
| 2019      | 52,552        | 17,191       | 228,500       | 602,807      | 0               | 0        |
| 2020-2024 | 249,356       | 85,955       | 1,306,600     | 2,850,189    | 0               | 0        |
| 2025-2029 | 78,300        | 85,955       | 1,628,200     | 2,528,538    | 0               | 0        |
| 2030-2034 | 0             | 85,955       | 2,029,000     | 2,127,718    | 0               | 0        |
| 2035-2039 | 0             | 85,955       | 2,528,600     | 1,628,209    | 0               | 0        |
| 2040-2044 | 0             | 8,596        | 2,984,500     | 1,009,401    | 0               | 0        |
| 2045-2048 | 0             | 0            | 2,690,300     | 309,318      | 0               | 0        |
| Total     | \$590,413     | \$438,371    | \$14,215,500  | \$13,561,660 | \$1,500,000     | \$60,000 |

**Buckeye Water District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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**Note 9 – Defined Benefit Pension Plan**

Plan Description – The District 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. Authority 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 the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in state and local divisions. For the year ended December 31, 2014, members in state and local divisions contributed 10 percent of covered payroll. For 2014, member and employer contribution rates were consistent across all three plans.

The District's 2014 contribution rate was 14 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2014, the portion of employer contributions allocated to health care was 2 percent for members in the Traditional Pension Plan and the Combined Plan. Effective January 1, 2015, the portion of employer contributions allocated to health care remained at 2 percent. Employer contribution rates are actuarially determined.

The District's required contributions for pension obligations to the Traditional Pension and Combined plans for the years ended December 31, 2014, 2013, and 2012 were \$81,530, \$80,043, and \$59,966, respectively. For 2014, 87.13 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. No contributions were made to the Member-Directed Plan for 2014.

**Note 10 – Post-Employment 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.

**Buckeye Water District**  
*Notes to the Basic Financial Statements*  
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*Unaudited*

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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 ten 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>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

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 benefits. For 2014, the portion of employer contributions allocated to health care for members in the Traditional Pension Plan and the Combined Plan was 2 percent. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent for both plans, as recommended by the OPERS actuary.

The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or the retiree’s surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The District’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$13,588, \$6,157, and \$23,987, respectively. For 2014, 87.13 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

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 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.

**Buckeye Water District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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**Note 11 – Employee Benefits**

*Compensated Absences*

Vacation leave is earned at rates which vary depending upon length of service and standard work week. District employees are paid for earned, unused vacation leave at the time of termination of employment. Sick leave is earned at the rate of one and one quarter days per month of service. Upon retirement, employees are paid up to 120 days of the accumulated sick leave.

*Insurance Benefits*

The District provides medical/surgical, prescription drug, vision, and dental insurance through Medical Mutual and life insurance through Companion Life Insurance to all eligible employees.

**Note 12 – Management Agreement**

On April 25, 2007, the District entered into a management agreement with the Village of Salineville (the Village). The Village is the owner and operator of a certain water supply treatment facility and a water distribution system (Salineville Water System) located in Columbiana County, Ohio consisting of certain real estate and improvements thereon. The Village is also the owner of certain personal property, real property easements, rights of way and improvements thereon utilized for the operations of the Salineville Water System. The Village has appointed and designated the District as the manager of the Salineville Water System; however, transfer of ownership is pending an agreement setting forth all terms, conditions, obligations and responsibilities of the Parties and to obtain all necessary governmental approvals including but not limited to the Ohio EPA and applicable funding authorities to whom the Village is currently indebted. As of December 31, 2014, a transfer agreement has not been entered into.

The District agreed to use water revenues to pay debt service on the Salineville Water System. During 2014, the District paid \$73,813 towards the payment of debt service. These payments are reflected as contracted services on the financial statements.

**Note 13 – Contractual Commitment**

The District has a verbal agreement with Columbiana County whereby the District pays approximately \$32,602 annually towards OPWC loans. This payment is reflected as contracted services on the financial statements.

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Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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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**

Buckeye Water District  
Columbiana County  
1925 Clark Avenue  
P.O. Box 105  
Wellsville, Ohio 43968

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 business-type activities of the Buckeye Water District, Columbiana County, (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 August 18, 2016. We noted that the District revised its financial statement presentation to the requirements of accounting principles generally accepted in the United States of America.

***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.

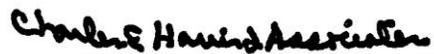
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies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



***Charles E. Harris & Associates, Inc.***  
August 18, 2016

**BUCKEYE WATER DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014**

| Finding Number | Finding Summary                                       | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|---|------------------|--|
| 2013-01        | Proper postings and reporting of various transactions | Yes              | Finding no longer valid  |

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# Dave Yost • Auditor of State

**BUCKEYE WATER DISTRICT**

**COLUMBIANA 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 18, 2016**