



OHIO AUDITOR OF STATE
KEITH FABER



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

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Statement of Receipts, Disbursements, and Changes in Fund Balance (Regulatory Cash Basis) For the Year Ended December 31, 2023.....	5
Notes to the Financial Statements December 31, 2023	7
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Le-Ax Regional Water District, Athens County, Ohio (the District), which comprises the cash balance, receipts and disbursements for the proprietary fund type as of and for the year ended December 31, 2023, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balance, receipts and disbursements for the proprietary fund type as of and for the year ended December 31, 2023, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(C) permit, described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District, as of December 31, 2023, or the changes in financial position thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the District on the basis of the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2025, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



Keith Faber
Auditor of State
Columbus, Ohio

January 9, 2025


This page intentionally left blank.


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

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (REGULATORY CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2023**

Operating Cash Receipts:

Water Sales	\$4,282,395
Tap Sales	\$230,607
Miscellaneous	\$562,316
	<u>\$5,075,318</u>
<i>Total Operating Cash Receipts</i>	<u>\$5,075,318</u>

 Pages from Muni-link Transaction Detail F

 Misc ASDF_Financial Stmt_Substantive_D

Operating Cash Disbursements:

Plant Expenses	\$376,122
Office Expenses	\$363,251
Employee Expenses	\$2,295,198
Professional Fees	\$37,425
Utilities	\$306,147
Repairs and Maintenance	\$1,029,269
Vehicle Expenses	\$91,423
Capital Outlay	\$980,388
	<u>\$5,479,223</u>
<i>Total Operating Cash Disbursements</i>	<u>\$5,479,223</u>

 Non payroll ASDF

Operating Income (Loss) -\$403,905

Non-Operating Cash Receipts:

Issuance of New Debt	\$703,480
Government Grants	\$177,385
Interest Income	\$86,401
	<u>\$967,266</u>
<i>Total Non-Operating Cash Receipts</i>	<u>\$967,266</u>

 Debt Testing

Non-Operating Cash Disbursement:

Debt Service	\$601,051
	<u>\$601,051</u>
<i>Total Non-Operating Cash Disbursement</i>	<u>\$601,051</u>

 Debt Testing

Net Receipts Over/(Under) Disbursements (\$37,690)

Cash Balances, January 1 \$4,314,035

Cash Balances, December 31 \$4,276,345

  Cash Summary

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

This page intentionally left blank.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

1. REPORTING ENTITY

The Le-Ax Regional Water District (the District), Athens County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District was 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 the 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, engineer 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	Brown Township
Athens Township	Scipio Township	Knox Township
Canaan Township	Bedford Township	Madison Township
Lee Township		Vinton Township
Waterloo Township	<u>Hocking County</u>	
York Township	Green Township	
Village of Albany	Starr 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 participates in the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. Note 5 to the financial statements provides additional information for this entity. 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

A. BASIS OF PRESENTATION

The District’s financial statement consists of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

B. BASIS OF ACCOUNTING

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

C. BUDGETARY PROCESS

The Ohio Revised Code requires the Board to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function or object level of control, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2023 budgetary activity appears in Note 3.

D. DEPOSITS AND INVESTMENTS

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

E. CAPITAL ASSETS

The District records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statement does not report these items as assets.

F. ACCUMULATED LEAVE

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

G. SBITAs

The District has entered into noncancelable Subscription-Based Information Technology Arrangements (SBITA) contracts (as defined by GASB 96) for several types of software including contracts related to financial systems and various other software. Subscription disbursements are recognized when they are paid.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2023, follows:

Budgeted vs. Actual Receipts		
Budgeted	Actual	
Receipts	Receipts	Variance
\$ 5,854,786	\$ 6,042,584	\$ 187,798
Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation	Budgetary	
Authority	Expenditures	Variance
\$ 6,686,767	\$ 6,080,274	\$ (606,493)

4. DEPOSITS AND INVESTMENTS

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

	2023
Demand Deposits	\$2,647,278
Certificates of Deposit	1,629,067
Total	\$4,276,345

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

5. RISK MANAGEMENT

The District is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the District's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2023</u>
Cash and investments	\$43,996,442
Actuarial liabilities	\$19,743,401

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

6. DEFINED BENEFIT PENSION PLANS

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2023.

7. POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan. OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service requirements. The HRA is an account funded by OPERS that provides tax-free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance and co-pays incurred by eligible benefit recipients and their dependents.

For calendar year 2023, the portion of OPERS employer contributions allocated to health care was 0 percent for members in the traditional pension plan and 2 percent for members in the combined plan. For 2023, the portion of employer contributions OPERS allocated to health care for members in the member-directed plan was 4.0 percent; however, a portion of the health care rate was funded with reserves.

8. DEBT

Debt outstanding at December 31, 2023, was as follows:

	Principal	Interest Rate
USDA Collector Well 2	\$ 2,569,489	2.625%
OWDA #5918	18,616	0.000%
Co Bank #1	3,681,987	3.750%
Co Bank #2	1,089,309	4.000%
OWDA #9973	703,480	2.260%
Total	\$ 8,062,881	

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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Co Bank Loan #1 – the District refinanced a loan previously held by the USDA – Rural Development. Revenue of the District has been pledged to repay this loan. The amount refinanced was \$4,575,000 accruing interest charges at 3.75%. The debt instrument requires monthly payments totaling \$376,952 for principal and interest on an annual basis.

Co Bank Loan #2 – the District refinanced a loan previously held by the USDA – Rural Development. Revenue of the District has been pledged to repay this loan. The amount refinanced was \$1,217,485 accruing interest charges at 4.00%. The debt instrument requires monthly payments totaling \$79,047 for principal and interest on an annual basis.

OWDA #9973 loan was used for tank replacement. Revenue of the District has been pledged to repay this debt. Disbursements on this loan began in 2023, and the loan was not fully disbursed by year-end. Payments required by the debt instrument do not start until 2024, and the OWDA has not yet provided an amortization schedule.

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

<u>Year Ending December 31:</u>	<u>USDA Collector Well #2</u>	<u>OWDA 5918</u>	<u>CO BANK #1</u>	<u>CO BANK #2</u>
2024	137,633	1,006	377,002	79,056
2025	137,633	1,006	377,015	79,058
2026	137,633	1,006	377,037	79,062
2027	137,633	1,006	377,064	79,066
2028	137,633	1,006	377,075	79,068
2029-2033	688,165	5,032	1,885,741	395,403
2034-2038	688,165	5,032	848,783	395,516
2039-2043	688,165	3,523	-	395,654
2044-2048	688,165	-	-	19,812
2049	136,455	-	-	-
Total	3,577,280	18,616	4,619,717	1,601,695

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the state government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

10. SUBSEQUENT EVENTS

On October 14, 2024, the Buckeye Hills Regional Council approved Appalachian Regional Commission funding of \$750,000 for the Hebbardsville Road Waterline Improvement Project. On November 11, 2024, the General Manager signed the agreement.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

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

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

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balance, receipts, and disbursements for the proprietary fund type as of and for the year ended December 31, 2023 and the related notes to the financial statements of the Le-Ax Regional Water District, Athens County, Ohio (the District) and have issued our report thereon dated January 9, 2025, wherein we noted the District followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 9, 2025

OHIO AUDITOR OF STATE KEITH FABER



LE-AX REGIONAL WATER DISTRICT

ATHENS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/28/2025

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov