



Certified Public Accountants, A.C.

**LE-AX REGIONAL WATER DISTRICT  
ATHENS COUNTY  
Regular Audit  
For the Year Ended December 31, 2018**

313 Second St.  
Marietta, OH 45750  
740 373 0056

1907 Grand Central Ave.  
Vienna, WV 26105  
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150 W. Main St., #A  
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OHIO AUDITOR OF STATE  
KEITH FABER



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(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of the Le-Ax Regional Water District, Athens County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2018. 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 Le-Ax Regional Water District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

September 6, 2019

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

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## INDEPENDENT AUDITOR'S REPORT

July 10, 2019

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

To the Board:

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

We have audited the accompanying financial statements of the cash balance, receipts, and disbursements, and related notes of the **Le-Ax Regional Water District**, Athens County, (the District) as of and for the year ended December 31, 2018.

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

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

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

Our responsibility is to opine on this financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial 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 statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2018, or changes in financial position thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance, receipts and disbursements and related notes of the Le-Ax Regional Water District, Athens County, as of December 31, 2018, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2019 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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**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, 2018**

|   |              |
|---|--------------|
| <b>Operating Cash Receipts</b>                |              |
| Water Sales                                   | \$ 3,756,687 |
| Tap Sales                                     | 83,303       |
| Miscellaneous                                 | 229,066      |
|   | <hr/>        |
| <i>Total Operating Cash Receipts</i>          | 4,069,056    |
|   | <hr/>        |
| <b>Operating Cash Disbursements</b>           |              |
| Plant Expenses                                | 298,850      |
| Office Expenses                               | 286,581      |
| Employee Expenses                             | 1,590,569    |
| Professional Fees                             | 39,312       |
| Utilities                                     | 306,223      |
| Repairs and Maintenance                       | 390,340      |
| Vehicle Expenses                              | 57,645       |
| Capital Outlay                                | 126,730      |
|   | <hr/>        |
| <i>Total Operating Cash Disbursements</i>     | 3,096,250    |
|   | <hr/>        |
| <i>Operating Income</i>                       | 972,806      |
|   |              |
| <b>Non-Operating Cash Receipts</b>            |              |
| Interest Income                               | 24,009       |
|   | <hr/>        |
| <i>Total Non-Operating Cash Receipts</i>      | 24,009       |
|   | <hr/>        |
| <b>Non-Operating Cash Disbursements</b>       |              |
| Debt Service                                  | 592,216      |
|   | <hr/>        |
| <i>Total Non-Operating Cash Disbursements</i> | 592,216      |
|   | <hr/>        |
| <i>Net Change in Cash Balance</i>             | 404,599      |
|   |              |
| <i>Cash Balance, January 1</i>                | 4,119,894    |
|   | <hr/>        |
| <i>Cash Balance, December 31</i>              | \$ 4,524,493 |
|   | <hr/> <hr/>  |

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Note 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 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 has exercised its authority to issue revenue bonds and notes, which are payable from the revenue 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 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:

Athens County

Alexander Township  
Athens Township  
Canaan Township  
Lee Township  
Waterloo Township  
York Township  
Village of Albany

Meigs County

Columbia Township  
Scioto Township  
Bedford Township

Hocking County

Green Township  
Starr Township

Vinton County

Brown Township  
Knox Township  
Madison Township  
Vinton 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 political subdivision, the District is distinct from, and is not an agency of, the State of Ohio or any other local government unit. The District is not subject to federal, state, or local income taxes.

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

***Public Entity Risk Pools***

The District belongs to 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 these financial statements present all activities for which the District is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The District's financial statements consist of a statement of receipts, disbursements and changes in fund balance (regulatory cash basis).

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board of Trustees 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 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

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

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

***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 2018 budgetary activity appears in Note 3.

***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.

***Capital Assets***

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

***Accumulated Leave***

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Note 3 - Budgetary Activity**

Budgetary activity for the year ended December 31, 2018 follows:

| 2018 Budgeted vs. Actual Receipts |                    |          |
|-----------------------------------|--------------------|----------|
| Budgeted<br>Receipts              | Actual<br>Receipts | Variance |
| \$4,055,490                       | \$4,093,065        | \$37,575 |

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures |                           |           |
|---|---------------------------|-----------|
| Appropriation<br>Authority                            | Budgetary<br>Expenditures | Variance  |
| \$4,056,997   | \$3,688,466               | \$368,531 |

**Note 4 – Deposits and Investments**

The District maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amounts of deposits at December 31, 2018 were as follows:

|                                 | 2018         |
|---------------------------------|--------------|
| Demand Deposits                 | \$ 2,040,938 |
| Certificates of Deposit         | 1,084,845    |
| USDA Payment - Reserve Accounts | 1,398,710    |
| Total Deposits                  | \$ 4,524,493 |

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral proof 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.

**Note 5 – Risk Management**

The District is exposed to various risks of property and casualty losses, and injuries to employees.

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on the rate per \$100 of salaries.

***Risk Pool Membership***

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Note 5 – Risk Management (Continued)**

- 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>2018</u>  |
|-----------------------|--------------|
| Cash and Investments  | \$35,381,789 |
| Actuarial Liabilities | (12,965,015) |

**Note 6 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. For 2018, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2018.

**Note 7 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, that includes multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2018.

**Note 8 – Debt**

Debt outstanding at December 31, 2018, was as follows:

| Debt                  | Balance<br>Outstanding<br>1/1/2017 | Additions   | Deletions         | Balance<br>Outstanding<br>12/31/2018 | Amounts<br>Due in<br>One Year |
|-----------------------|------------------------------------|-------------|-------------------|--------------------------------------|-------------------------------|
| USDA Poston           | \$ 4,883,598                       | \$ -        | \$ 155,670        | \$ 4,727,928                         | \$ 162,675                    |
| USDA Vinton           | 1,265,257                          | -           | 24,382            | 1,240,875                            | 25,418                        |
| USDA Collector Well 2 | 2,954,459                          | -           | 60,078            | 2,894,381                            | 61,656                        |
| OWDA #5918            | 24,655                             | -           | 1,006             | 23,649                               | 1,006                         |
| Total                 | <u>\$ 9,127,969</u>                | <u>\$ -</u> | <u>\$ 241,136</u> | <u>\$ 8,886,833</u>                  | <u>\$ 250,755</u>             |

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Note 8 – Debt (Continued)**

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

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

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

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

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

| Year-Ending December 31: | USDA Poston         | USDA Vinton         | USDA Collector Well 2 | OWDA #5918       |
|--------------------------|---------------------|---------------------|-----------------------|------------------|
| 2019                     | \$ 375,432          | \$ 78,155           | \$ 137,633            | \$ 1,006         |
| 2020                     | 375,432             | 78,155              | 137,633               | 1,006            |
| 2021                     | 375,432             | 78,155              | 137,633               | 1,006            |
| 2022                     | 375,432             | 78,155              | 137,633               | 1,006            |
| 2023                     | 375,432             | 78,155              | 137,633               | 1,006            |
| 2024-2028                | 1,877,160           | 390,775             | 688,165               | 5,030            |
| 2029-2033                | 1,877,160           | 390,775             | 688,165               | 5,030            |
| 2034-2038                | 1,501,733           | 390,775             | 688,165               | 5,030            |
| 2039-2043                | -                   | 390,775             | 688,165               | 3,529            |
| 2044-2048                | -                   | 155,317             | 688,165               | -                |
| 2049                     | -                   | -                   | 136,457               | -                |
| Total                    | <u>\$ 7,133,213</u> | <u>\$ 2,109,192</u> | <u>\$ 4,265,447</u>   | <u>\$ 23,649</u> |



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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**

July 10, 2019

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

To the Board:

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 cash balance, receipts and disbursements of the **Le-Ax Regional Water District**, Athens County, (the District) as of and for the year ended December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated July 10, 2019, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial 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.

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***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*.

We did a note certain matter not requiring inclusion in this report, that we reported to the District's management in a separate letter dated July 10, 2019.

***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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



# OHIO AUDITOR OF STATE KEITH FABER



**LE-AX REGIONAL WATER DISTRICT**

**ATHENS COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 19, 2019**