BUCKEYE WATER DISTRICT

COLUMBIANA COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2015

Charles E. Harris
& Associates
certified public accountants & government consultants

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.

Dave Yost
Auditor of State

October 6, 2016

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BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY

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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, 2015, 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, 2015, and the changes in financial position and 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 discussed in Note 3 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding these matters.

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* and schedules of net pension liabilities and pension contributions 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

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

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, 2015. 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 deferred outflows of resources and all of the District's liabilities and deferred inflows of resources, 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 implemented GASB 68 and GASB 71, which establish standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources, and expense/expenditure. The implementation of these GASB statements resulted in a significant change to the financial statements for the District.

The District's financial position decreased from 2014 to 2015, as indicated by the decrease in total net position of $1,646,127. The decrease can be mainly attributed to a decrease in charges for services and capital grants revenues.

During 2015, the District drew the remaining monies from a loan from the Ohio Public Works Commission to finish a water meter replacement project.

Financial Position

Table 1 focuses on the District's financial position and the results of operations for 2015 compared to 2014:

Table 1
Net Position

	2015	2014	Change
Assets			
Current and Other Assets	$1,655,248	$2,232,451	($577,203)
Capital Assets, Net	24,597,565	26,463,985	(1,866,420)
Total Assets	26,252,813	28,696,436	(2,443,623)
Deferred Outflows of Resources			
Pension	128,076	81,530	46,546
Liabilities			
Current and Other Liabilities	1,256,709	1,293,431	36,722
Long-Term Liabilities:			
Net Pension Liability	668,427	653,330	(15,097)
Other Amounts	25,276,408	26,017,476	741,068
Total Liabilities	27,201,544	27,964,237	762,693
Deferred Inflows of Resources			
Pension	11,743	0	(11,743)
Net Position			
Net Investment in Capital Assets	184,071	1,522,753	(1,338,682)
Restricted for Debt	420,000	420,000	0
Unrestricted (Deficit)	(1,436,469)	(1,129,024)	(307,445)
Total Net Position	($832,398)	$813,729	($1,646,127)

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service

2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from $1,385,529 to $813,729.

Current assets decreased from 2014 due to decreases in equity in pooled cash and cash equivalents and accounts receivable. The decrease in equity in pooled cash and cash equivalents primarily resulted from a decrease in charges for services and capital grants receipts and an increase in salaries and wages cash payments.

A 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. Capital assets decreased from 2014 due to current year depreciation exceeding capital asset additions. In 2015, the District had a new pump system installed; this was funded by Ohio Water Development Authority loan monies, most of which were received near the end of 2014.

Long-term liabilities other than the net pension liability decreased from 2014 as the District continued to make regular debt payments. During 2015, the District drew the remaining monies from a loan from the Ohio Public Works Commission for the purpose of replacing water meters.

The District's financial position decreased from 2014 to 2015, as indicated by the decrease in total net position of $1,646,127. The decrease can be mainly attributed to a decrease in charges for services and capital grants revenues.

Table 2 shows the change in net position for the year ended December 31, 2015, compared to 2014.

Table 2
Change in Net Position

	2015	2014	Change
Revenues			
Operating Revenue	$3,612,943	$4,201,551	($588,608)
Non-Operating Revenue	104,765	599,193	(494,428)
Total Revenue	3,717,708	4,800,744	(1,083,036)
Expenses			
Operating Expenses	4,527,847	4,352,131	(175,716)
Interest and Fiscal Charges	835,988	855,764	19,776
Total Expenses	5,363,835	5,207,895	(155,940)
Change in Net Position	(1,646,127)	(407,151)	(1,238,976)
Net Position Beginning of Year	813,729	N/A	N/A
Net Position End of Year	($832,398)	$813,729	($1,646,127)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of $81,530 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $72,705. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	$5,363,835
Pension expense under GASB 68	(72,705)
2015 contractually required contribution	92,411
Adjusted 2015 program expenses	5,383,541
Total 2014 program expenses under GASB 27	5,207,895
Increase (Decrease) in program expenses not related to pension	$175,646

Operating revenues decreased from 2014 due to decreases in charges for services and tap-in fees revenues.

Non-operating revenues decreased from 2014 mainly due to a large capital grant that was received in 2014 from the United States Department of Agriculture.

The increase in operating expenses from 2014 was primarily a result of increases in salaries and wages and fringe benefits expenses.

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 $1,646,127.

Capital Assets and Debt Administration

Capital Assets

Table 3 shows 2015 balances compared to 2014.

Table 3
Capital Assets

	2015	2014
Land	$468,990	$468,990
Construction in Progress	0	329,928
Building and Improvements	12,657,089	13,374,563
Equipment and Machinery	3,016,439	3,264,932
Vehicles	51,697	69,695
Water Tank	378,046	464,573
Infrastructure:		
Water Lines	8,025,304	8,491,304
Totals	$24,597,565	$26,463,985

All capital assets are reported net of depreciation. The decrease was due to an additional year of depreciation being taken. The District has been very aggressive in pursuing funding to assist in the financing of infrastructure projects. See Note 5 to the basic financial statements for additional information on the District's capital assets.

Debt

Table 4 below summarizes the District's debt outstanding.

Table 4
Debt

	2015	2014
OPWC Loans	$954,508	$920,341
OWDA Loans	9,435,186	9,978,349
Revenue Bonds	14,023,800	14,215,500
Promissory Note	1,500,000	1,500,000
Total	$25,913,494	$26,614,190

The District continues to monitor its outstanding debt. See Note 6 to the basic financial statements for additional information on the District's long-term obligations.

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.

Buckeye Water District
Statement of Fund Net Position
December 31, 2015

Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$801,866
Accounts Receivable	285,928
Prepaid Items	34,512
Materials and Supplies Inventory	112,942
Total Current Assets	1,235,248
Noncurrent Assets:	
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	420,000
Nondepreciable Capital Assets	468,990
Depreciable Capital Assets, Net	24,128,575
Total Noncurrent Assets	25,017,565
Total Assets	26,252,813
Deferred Outflows of Resources	
Pension	128,076
Liabilities	
Current Liabilities:	
Accounts Payable	28,962
Accrued Wages	11,414
Intergovernmental Payable	20,635
Accrued Interest Payable	283,473
Compensated Absences Payable	70,107
OPWC Loans Payable	80,327
OWDA Loans Payable	561,691
Mortgage Revenue Bonds	200,100
Total Current Liabilities	1,256,709
Long-Term Liabilities (net of current portion):	
Compensated Absences Payable	205,032
OPWC Loans Payable	874,181
OWDA Loans Payable	8,873,495
Mortgage Revenue Bonds Payable	13,823,700
Promissory Note Payable	1,500,000
Net Pension Liability (See Note 7)	668,427
Total Long-Term Liabilities	25,944,835
Total Liabilities	27,201,544
Deferred Inflows of Resources	
Pension	11,743
Net Position	
Net Investment in Capital Assets	184,071
Restricted for:	
Debt	420,000
Unrestricted (Deficit)	(1,436,469)
Total Net Position	($832,398)

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, 2015

Operating Revenues	
Charges for Services	$3,421,959
Tap-In Fees	67,817
Other	123,167
Total Operating Revenues	3,612,943
Operating Expenses	
Salaries and Wages	737,442
Fringe Benefits	370,982
Contracted Services	985,202
Materials and Supplies	258,760
Other Operating Expenses	2,423
Depreciation	2,173,038
Total Operating Expenses	4,527,847
Operating Loss	(914,904)
Non-Operating Revenues (Expenses)	
Interest	4,765
Interest and Fiscal Charges	(835,988)
Total Non-Operating Revenues (Expenses)	(831,223)
Loss Before Capital Contributions	(1,746,127)
Capital Contributions	100,000
Change in Net Position	(1,646,127)
Net Position Beginning of Year - Restated (See Note 3)	813,729
Net Position End of Year	($832,398)

See accompanying notes to the basic financial statements

Buckeye Water District

Statement of Cash Flows
For the Year Ended December 31, 2015

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Sales	$3,570,868
Other Cash Receipts	123,167
Cash Payments to Employees for Services	(1,142,103)
Cash Payments for Goods and Services	(1,285,772)
Other Cash Payments	(457)
Net Cash Provided by Operating Activities	1,265,703
Cash Flows from Noncapital Financing Activities	
Interest Payments - Promissory Note	(15,000)
Cash Flows from Capital and Related Financing Activities	
Capital Grant	100,000
Purchase of Capital Assets	(306,618)
OPWC Loans Issued	86,718
OWDA Loans Issued	7,800
Principal Payments - OPWC Loans	(52,551)
Principal Payments - OWDA Loans	(550,963)
Principal Payments - Revenue Bonds	(191,700)
Interest Payments - OWDA Loans	(189,251)
Interest Payments - Revenue Bonds	(639,698)
Net Cash Used in Capital and Related Financing Activities	(1,736,263)
Cash Flows from Investing Activities	
Interest on Investments	4,765
Net Decrease in Cash and Cash Equivalents	(480,795)
Cash and Cash Equivalents Beginning of Year	1,702,661
Cash and Cash Equivalents End of Year	$1,221,866

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	($914,904)
Adjustments:	
Depreciation	2,173,038
(Increase) Decrease in Assets:	
Accounts Receivable	81,092
Materials and Supplies	21,263
Prepaid Items	(5,947)
(Increase) Decrease in Deferred Outflows of Resources - Pension	(46,546)
Increase (Decrease) in Liabilities:	
Accounts Payable	(58,112)
Accrued Wages	(23,706)
Intergovernmental Payable	250
Compensated Absences Payable	12,435
Net Pension Liability	15,097
Increase (Decrease) in Deferred Inflows of Resources - Pension	11,743
Net Cash Provided by Operating Activities	$1,265,703

See accompanying notes to the basic financial statements

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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its enterprise activity.

Basis of Accounting

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

Deferred Outflows/Inflows of Resources In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources includes pension reported in the statement of net position. The deferred outflows of resources related to pension are explained in Note 7.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the District, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the statement of net position (See Note 7).

Cash and Cash Equivalents

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 no 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 2015.

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, 2015, 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.

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:

Description	Estimated Lives
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 2015, 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 District 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Net Position

Net position represents the difference between all other elements in a statement of financial position. 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.

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 Accounting Principle and Restatement of Net Position

For 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

Net Position December 31, 2014	$1,385,529
Adjustments:	
Net Pension Liability	(653,330)
Deferred Outflow - Payments Subsequent to Measurement Date	81,530
Restated Net Position December 31, 2014	$813,729

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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.

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, and Government National Mortgage 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, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;

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 (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 40 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.

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 $1,221,866 and the bank balance was $1,334,617. As of December 31, 2015, $754,188 of the bank balance was covered by Federal depository insurance with the remaining $580,429 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 – Capital Assets

Capital asset activity for the fiscal year ended December 31, 2015, was as follows:

	Balance 12/31/2014	Additions	Deductions	Balance 12/31/2015
Capital Assets not being depreciated:				
Land	$468,990	$0	$0	$468,990
Construction in Progress	329,928	86,718	(416,646)	0
Total Capital Assets being depreciated	798,918	86,718	(416,646)	468,990
Capital Assets being depreciated:				
Building and Improvements	17,936,829	0	0	17,936,829
Equipment and Machinery	8,962,576	624,321	0	9,586,897
Vehicles	550,737	0	0	550,737
Water Tank	1,297,897	0	0	1,297,897
Infrastructure				
Waterlines	11,954,611	12,225	0	11,966,836
Total Capital Assets being depreciated	40,702,650	636,546	0	41,339,196
Less Accumulated Depreciation				
Building and Improvements	(4,562,266)	(717,474)	0	(5,279,740)
Equipment and Machinery	(5,697,644)	(872,814)	0	(6,570,458)
Vehicles	(481,042)	(17,998)	0	(499,040)
Water Tank	(833,324)	(86,527)	0	(919,851)
Infrastructure				
Waterlines	(3,463,307)	(478,225)	0	(3,941,532)
Total Accumulated Depreciation	(15,037,583)	(2,173,038)	0	(17,210,621)
Total Capital Assets being Depreciated, net	25,665,067	(1,536,492)	0	24,128,575
Total Capital Assets, net	$26,463,985	($1,449,774)	($416,646)	$24,597,565

Note 6 – 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 Date	Maturity Date	Interest Rate	Original Issue Amount
Ohio Public Works Commission Loans				
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	416,646
Ohio Water Development Authority Loans				
Transmission Main, Pump Station and Intake	2006	2029	2.00	Not Finalized
Salineville Waterline Extension	2009	2040	0.00	662,137
Revenue Bonds				
2002 Series	2002	2042	4.50	1,498,000
2008 Series	2008	2048	4.50	13,800,000
Promissory Note				
Columbiana County	2013	2018	1.00	1,500,000

Changes in long-term obligations during the year ended December 31, 2015, consisted of the following:

	Balance 12/31/14	Increase	Decrease	Balance 12/31/15	Amounts Due in One Year
Ohio Public Works Commission Loans					
Wellsville Water Treatment Plant Improvements	$120,613	$0	$13,401	$107,212	$13,401
State Route 39 Water Main Feeder	469,800	0	39,150	430,650	39,150
District Water Meter Replacement	329,928	86,718	0	416,646	27,776
Total Ohio Public Works Commission Loans	920,341	86,718	52,551	954,508	80,327
Ohio Water Development Authority Loans					
Transmission Main, Pump Station and Intake	9,539,978	7,800	533,772	9,014,006	544,500
Salineville Waterline Extension	438,371	0	17,191	421,180	17,191
Total Ohio Water Development Authority Loans	9,978,349	7,800	550,963	9,435,186	561,691
Revenue Bonds					
2002 Series	1,281,600	0	23,800	1,257,800	24,700
2008 Series	12,933,900	0	167,900	12,766,000	175,400
Total Revenue Bonds	14,215,500	0	191,700	14,023,800	200,100
Other Long-Term Obligations					
Promissory Note	1,500,000	0	0	1,500,000	0
Compensated Absences Payable	262,704	76,639	64,204	275,139	70,107
Net Pension Liability - OPERS	653,330	15,097	0	668,427	0
Total Other Long-Term Obligations	2,416,034	91,736	64,204	2,443,566	70,107
Total	$27,530,224	$186,254	$859,418	$26,857,060	$912,225

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.

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 120 percent of net revenues. The total principal remaining to be paid on the debt is $25,913,494. Principal and interest paid for the current year and net revenues were $1,639,163 and $1,362,899, respectively.

A line of credit has been established with the Ohio Water Development Authority (OWDA) in the amount of $11,870,111 for a transmission main, pump station and intake project. This loan will not have an accurate repayment schedule until the loan is finalized and, therefore, is not included in the schedule of future annual debt service requirements. Until a final repayment schedule is available, the District will pay based on estimates. The balance of the loan as of December 31, 2015, is $9,014,006.

			Revenue Bonds		Promissory Note	
Year	OPWC Loans	OWDA Loan	Principal	Interest	Principal	Interest
2016	$80,327	$17,191	$200,100	$631,071	$0	$15,000
2017	80,328	17,191	209,400	622,067	0	15,000
2018	80,328	17,191	218,600	612,644	1,500,000	15,000
2019	80,329	17,191	228,500	602,807	0	0
2020	80,328	17,191	238,900	592,524	0	0
2021-2025	374,837	85,955	1,365,300	2,791,392	0	0
2026-2030	178,031	85,955	1,701,400	2,455,269	0	0
2031-2035	0	85,955	2,120,400	2,036,413	0	0
2036-2040	0	77,360	2,642,100	1,514,422	0	0
2041-2045	0	0	3,037,600	875,099	0	0
2046-2048	0	0	2,061,500	188,254	0	0
Total	$954,508	$421,180	$14,023,800	$12,921,962	$1,500,000	$45,000

Note 7 – Defined Benefit Pension Plan

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of the pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of the pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description

Plan Description **–** District employees participate 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, and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. District employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position. The report may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013, or 5 years after January 7, 2013	20 years of service credit prior to January 7, 2013, or eligible to retire 10 years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	**Formula:**	**Formula:**
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $92,411 for 2015. Of this amount, $8,683 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS
Proportionate Share of the Net Pension Liability	$668,427
Proportion of the Net Pension Liability	0.005542%
Pension Expense	$72,705

At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$35,665
District contributions subsequent to the measurement date	92,411
Total Deferred Outflows of Resources	$128,076
Deferred Inflows of Resources	
Differences between expected and actual experience	$11,743

$92,411 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2016	$3,498
2017	3,498
2018	8,009
2019	8,917
Total	$23,922

Actuarial Assumptions

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120 percent of the disabled female mortality rates were used, set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five-year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7 percent) or one percentage point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	$1,229,714	$668,427	$195,688

Note 8 – Post–Employment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing, multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a health reimbursement arrangement, and Medicare Part B premium reimbursements, for qualifying benefit recipients of both the Traditional Pension and Combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 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 the statutory authority requiring public employers to fund post-employment health care through their 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 earnable salary of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and the Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016, remained at 2.0 percent for both plans. The OPERS Board of Trustees is also authorized to establish rules for the retiree or the retiree's surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

Substantially all of the District's contribution allocated to fund post-employment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2015, 2014, and 2013 was $15,402, $13,588, and $6,157, respectively. For 2015, 90.60 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

Note 9 – 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 2015, 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 10 – 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 11 – Litigation

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

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, 2015, 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 2015, the District paid $73,745 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 $32,300 annually towards OPWC loans. This payment is reflected as contracted services on the financial statements.

Buckeye Water District

Required Supplementary Information

Schedule of the District's Proportionate Share of the Net Pension Liability

Ohio Public Employees Retirement System - Traditional Plan

Last Two Years (1)

	2014	2013
District's Proportion of the Net Pension Liability	0.005542%	0.005542%
District's Proportionate Share of the Net Pension Liability	$668,427	$653,330
District's Covered-Employee Payroll	$679,417	$615,713
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	98.38%	106.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented as of the District's measurement date, which is the prior year end.

Buckeye Water District

Required Supplementary Information

Schedule of District Contributions

Ohio Public Employees Retirement System - Traditional Plan

Last Three Years (1)

	2015	2014	2013
Contractually Required Contribution	$92,411	$81,530	$80,043
Contributions in Relation to the Contractually Required Contribution	(92,411)	(81,530)	(80,043)
Contribution Deficiency (Excess)	$0	$0	$0
District Covered-Employee Payroll	$770,092	$679,417	$615,713
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

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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, 2015, and the related notes to the financial statements, and have issued our report thereon dated August 18, 2016. We noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68.*

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

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

BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015

The prior report, for the year ending December 31, 2014, reported no material citations or recommendations.

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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