

**LE-AX WATER DISTRICT  
ATHENS COUNTY  
Regular Audit  
For the Years Ended December 31, 2008 and 2007**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Le-Ax Water District  
P O Box 97  
6000 Industrial Drive  
The Plains, Ohio 45780

We have reviewed the *Independent Accountant's Report* of the Le-Ax Water District, Athens County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2007 through December 31, 2008. 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 Water District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

May 7, 2009

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**LE-AX WATER DISTRICT  
ATHENS COUNTY**

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***Perry & Associates***  
Certified Public Accountants, A.C.

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**INDEPENDENT ACCOUNTANT'S REPORT**

March 27, 2009

Board of Trustees  
Le-Ax Water District  
PO Box 97- 6000 Industrial Drive  
The Plains, Ohio 45780

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities of the **Le-Ax Water District** (the District), Athens County, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2008 and 2007, and the respective changes in financial position and cash flows thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented a Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

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



**LE-AX WATER DISTRICT  
ATHENS COUNTY**

**STATEMENT OF NET ASSETS  
AS OF DECEMBER 31, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b>ASSETS:</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 2,175,564	\$ 2,315,800
Accounts Receivable	269,023	233,222
Inventories	72,206	103,697
Prepaid Expenses	28,225	24,720
Total Current Assets	2,545,018	2,677,439
Noncurrent Assets:		
Capital Assets:		
Land and Easements	236,055	236,055
Construction-In-Progress	249,591	1,529,084
Depreciable Capital Assets (net of depreciation)	14,962,677	15,039,267
Capital Assets (net of depreciation)	15,448,323	16,804,406
Organizational Expense (net of accumulated amortization)	18,153	22,355
Total Noncurrent Assets	15,466,476	16,826,761
<b>TOTAL ASSETS</b>	<b>\$ 18,011,494</b>	<b>\$ 19,504,200</b>
<b>LIABILITIES AND EQUITY:</b>		
Current Liabilities:		
Accounts Payable	\$ 15,288	\$ 20,241
Accrued Wages and Compensated Leave	169,939	145,093
Accrued Payroll Deductions	16,546	24,358
Accrued Interest Payable	300,761	305,624
Current Portion of Long-Term Debt	182,940	176,541
Total Current Liabilities	685,474	671,857
Long-Term Liabilities:		
Long-term Notes Payable	7,875,858	8,058,798
Total Long-Term Liabilities	7,875,858	8,058,798
<b>TOTAL LIABILITIES</b>	<b>\$ 8,561,332</b>	<b>\$ 8,730,655</b>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	7,389,523	8,576,527
Restricted Net Assets	214,942	257,654
Unrestricted Net Assets	1,845,697	1,939,364
Total Net Assets	9,450,162	10,773,545
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 18,011,494</b>	<b>\$ 19,504,200</b>

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

**LE-AX WATER DISTRICT  
ATHENS COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b>Operating Revenues:</b>		
Water Sales	\$ 2,865,689	\$ 2,757,566
Tap Sales	63,895	129,596
Reimbursement Income	5,883	8,512
Miscellaneous Income	50,025	48,473
 Total Operating Revenues	 2,985,492	 2,944,147
<b>Operating Expenses:</b>		
Plant Expense	209,502	215,822
Office Expenses	164,547	140,715
Employee Expense	1,194,254	1,122,385
Professional Fees	41,754	50,673
Utilities	216,305	220,321
Repairs and Maintenance	210,788	266,944
Vehicle Expense	65,259	48,578
Depreciation and Amortization	648,073	649,202
Miscellaneous	28,435	9,977
 Total Operating Expenses	 2,778,917	 2,724,617
 Operating Income	 206,575	 219,530
<b>Nonoperating Revenues/(Expenses):</b>		
Interest Income	57,833	94,178
Interest Expense	(345,807)	(351,568)
Construction-In-Progress Write-Off (See Note 8)	(1,241,984)	-
 Total Non-operating Revenues/(Expenses)	 (1,529,958)	 (257,390)
 Change in Net Assets	 (1,323,383)	 (37,860)
 Net Assets - January 1	 10,773,545	 10,811,405
 <b>Net Assets - December 31</b>	 <b>\$ 9,450,162</b>	 <b>\$ 10,773,545</b>

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

**LE-AX WATER DISTRICT  
ATHENS COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Water Sales and Tap Fees	\$ 2,893,783	\$ 2,811,486
Cash Received from Reimbursement and Miscellaneous Income	55,908	56,985
Cash Payments to Suppliers for Goods and Services	(912,021)	(827,645)
Cash Payments to Employees for Services	(1,177,220)	(1,121,205)
Net Cash Provided by (Used by) Operations	860,450	919,621
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition and Construction of Capital Assets	(531,307)	(820,086)
Principal Paid on Long-Term Debt	(176,542)	(170,389)
Interest Paid	(350,670)	(356,606)
Net Cash Provided by (Used by) Capital and Related Financing Activities	(1,058,519)	(1,347,081)
<b>Cash Flows from Investing Activities:</b>		
Interest Received	57,833	94,178
Net Cash Provided by (Used by) Investing Activities	57,833	94,178
Net Increase/(Decrease) in Cash and Cash Equivalents	(140,236)	(333,282)
Cash and Cash Equivalents - January 1 *	2,315,800	2,649,082
<b>Cash and Cash Equivalents - December 31</b>	<b>2,175,564</b>	<b>2,315,800</b>
<b>Cash Flows from Operating Activities:</b>		
Operating Income	206,575	219,530
<b>Adjustments to Reconcile Operating Income to Cash Flows from Operating Activities</b>		
Depreciation	648,073	649,202
(Increase) Decrease in Accounts Receivable	(35,801)	53,920
(Increase) Decrease in Inventory	31,491	8,892
(Increase) Decrease in Prepaid Assets	(3,505)	1,326
Increase (Decrease) in Accounts Payable	(4,953)	(15,643)
Increase (Decrease) in Interest Payable	(4,863)	(5,038)
Increase (Decrease) in Payroll related Liabilities	17,034	1,180
Increase (Decrease) in Current Portion of Long-Term Payables	6,399	6,252
Total Adjustments	653,875	700,091
Net Cash Provided by (Used by) Operating Activities	<b>\$ 860,450</b>	<b>\$ 919,621</b>

\* Includes certificates of deposit that were classified as Investments in prior years.

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

**Le-Ax Water District  
Athens County**

**Notes to Financial Statements  
For the Year's Ended December 31, 2008 and 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The Le-Ax Water District is a water district organized under the provisions of Section 6119 of the Ohio Revised Code by the Common Pleas Court of Athens County in August of 1981. The District has exercised its authority to issue revenue bonds and notes, which are payable from the revenues of the District, to finance the cost of projects that benefit the District and its customers. The District is also authorized to levy taxes for the current expenses of the District or for the issuance of bonds upon approval of a majority of the electorate. The District may also assess real estate for certain improvements and issue bonds in anticipation of the collection of such special assessments. The District has not exercised these taxing powers. The District operates under the direction of a five-member board of trustees. An appointed staff consisting of a general manager, superintendent, and three office clerks are responsible for fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the water district users and for industrial and business use. The District serves all or parts of the following political subdivisions:

<u>Athens County</u>	<u>Meigs County</u>	<u>Vinton County</u>
Alexander Township	Columbiana Township	Knox Township
Athens Township	Scipio Township	Brown Township
Canaan Township	Bedford Township	
Lee Township		<u>Hocking County</u>
Waterloo Township		
York Township		Starr Township
Village of Albany		Green Township

The financial reporting entity, as described by Governmental Accounting Standards Board Statement No. 14, is the "primary government." A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability are the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity. The District does not have financial accountability over any entities; i.e. there are no component units. Furthermore, as a political subdivision, the District is distinct from, and is not an agency of, the State of Ohio or any other local government unit. The District is not subject to federal, state, or local income taxes.

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

**B. BASIS OF ACCOUNTING**

The basic 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**Le-Ax Water District  
Athens County**

**Notes to Financial Statements  
For the Year's Ended December 31, 2008 and 2007**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. BASIS OF ACCOUNTING (Continued)**

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

The District's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the balance sheet. The operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The District uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

**C. BUDGETARY PROCESS**

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

**D. CASH & CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on hand, checking, savings, and nonnegotiable certificates of deposit in financial institutions. Nonnegotiable certificates of deposit were classified as Investments in prior years.

**E. ACCOUNTS RECEIVABLE**

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

**F. INVENTORY**

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

**Le-Ax Water District  
Athens County**

**Notes to Financial Statements  
For the Year's Ended December 31, 2008 and 2007**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. PREPAID EXPENSES**

Payments made to vendors for services that will benefit periods beyond the applicable fiscal year ended December 31, 2008 and 2007 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the period in which those services are consumed.

**H. CAPITAL ASSETS**

Capital assets acquired or constructed for the general use of the District in providing service are recorded at cost. Donated assets are recorded at their estimated fair market value at the time received. Capital assets are defined as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Depreciation of capital assets of the District is calculated utilizing the straight-line method. All assets reported in the financial statements are at cost less accumulated depreciation. The estimated useful lives by major capital asset class are as follows:

Water lines, treatment plant, and tanks	40 years
Water meters and installation	20 years
Office building	30 years
Roads and parking lots	10 years
Transportation and other equipment	5 years

**I. COMPENSATED ABSENCES**

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

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

**J. REVENUES AND EXPENSES**

Operating revenues and expenses result from supplying potable water to District residents and businesses. Operating revenues consist primarily of user charges for water based on the amount consumed. Operating expenses include the cost of providing water to District residents and businesses, including administrative expenses and depreciation of capital assets. Non-operating revenues and expenses are all revenues and expenses not meeting the definition of operating revenues and expenses.

**Le-Ax Water District  
Athens County**

**Notes to Financial Statements  
For the Year's Ended December 31, 2008 and 2007**

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Non-operating revenues and expenses include revenues and expenses from capital and related financing activities, and from investing activities.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. CONTRIBUTED CAPITAL**

Contributed capital represents resources from other governments and private sources provided to proprietary funds that are not subject to repayment. Many of these are water line extensions that are constructed by other parties (with the inspection and approval of the District) and then turned over to the District. These assets are recorded at their fair market value on the date donated with an offsetting amount credited to Capital Contributions.

Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. Contributed capital of the District has been in the form of donated assets and receipts from customers and developers as well as various federal and/or state grants.

**L. ESTIMATES**

The preparation of 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.

**M. NET ASSETS**

Net assets represent the differences between assets and liabilities. Net Assets Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Restricted net assets consist of monies and other resources which are restricted to satisfy debt service requirements as specified in debt agreements.

**N. RESTRICTED ASSETS**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent certain resources, which are segregated from other resources of the District's to comply with various covenants established by debt financing agreements.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

State statutes classify 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 that the District has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by

**Le-Ax Water District  
Athens County**

**Notes to Financial Statements  
For the Year's Ended December 31, 2008 and 2007**

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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.

**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

***Undeposited Cash*** At year-end 2008 and 2007, the District had \$175 in undeposited cash on hand, included as part of *Cash and cash equivalents*.

***Deposits*** At year-end 2008 and 2007, the carrying amount of the District's deposits was \$15,035 and \$53,627 and the bank balance was \$24,169 and \$88,347, respectively. 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. As of December 31, 2008 and 2007, all of the bank balance was covered by federal depository insurance.



**Le-Ax Water District  
Athens County**

**Notes to Financial Statements  
For the Year's Ended December 31, 2008 and 2007**

As of December 31, 2008 and 2007, the District had Certificates of Deposits with carrying values of \$2,160,529 and \$2,262,173, respectively.

**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

**Investments** The District's investment policy does not address any restriction on investments relating to interest rate, credit, or custodial credit risks. The investment policy restricts investment in anything other than as identified in the Ohio Revised Code, except that all investments must mature within two years from the date of investments unless they are matched to a specific obligation or debt of the District. Purchasing investments that cannot be held until the maturity date is also restricted.

**NOTE 3 - CAPITAL ASSETS**

Changes in capital assets for the years ended December 31, 2008 and 2007 consisted of the following:

	12/31/2006		12/31/2007			12/31/2008		
	Balance	Additions	Deletions	Balance	Additions	Deletions	Balance	
<b>Capital assets non-depreciable:</b>								
Land	\$ 224,014	\$ -	\$ -	\$ 224,014	\$ -	\$ -	\$ 224,014	
Easements	12,041	-	-	12,041	-	-	12,041	
Construction in progress	791,288	737,796	-	1,529,084	125,874	(1,405,367)	249,591	
<b>Total non-depreciable capital assets</b>	<b>1,027,343</b>	<b>737,796</b>	<b>-</b>	<b>1,765,139</b>	<b>125,874</b>	<b>(1,405,367)</b>	<b>485,646</b>	
<b>Capital assets being depreciated:</b>								
Water Plant and Buildings	4,663,069	-	-	4,663,069	-	-	4,663,069	
Water Lines, Tanks, Wells	16,645,669	4,473	-	16,650,142	500,280	-	17,150,422	
Roads, Parking Area, Fencing	68,836	-	-	68,836	-	-	68,836	
Water Meters and installation	1,039,943	20,400	-	1,060,343	39,609	-	1,099,952	
Miscellaneous Equipment	774,959	56,202	(134,843)	696,318	13,610	-	709,928	
Office Equipment	233,250	-	(53,224)	180,026	9,580	-	189,606	
<b>Total capital assets being depreciated</b>	<b>23,425,726</b>	<b>81,075</b>	<b>(188,067)</b>	<b>23,318,734</b>	<b>563,079</b>	<b>-</b>	<b>23,881,813</b>	
<b>Less accumulated depreciation:</b>								
Water Plant and Buildings	1,091,513	120,190	-	1,211,703	120,190	-	1,331,893	
Water Lines, Tanks, Wells	5,161,459	416,254	-	5,577,713	431,970	-	6,009,683	
Roads, Parking Area, Fencing	36,525	5,756	-	42,281	5,026	-	47,307	
Water Meters and Installation	654,401	34,374	-	688,775	35,199	-	723,974	
Miscellaneous Equipment	659,547	56,107	(129,867)	585,787	41,343	-	627,130	
Office Equipment	219,090	7,344	(53,226)	173,208	5,941	-	179,149	
<b>Total accumulated depreciation</b>	<b>7,822,535</b>	<b>640,025</b>	<b>(183,093)</b>	<b>8,279,467</b>	<b>639,669</b>	<b>-</b>	<b>8,919,136</b>	
<b>Capital assets, net of depreciation</b>	<b>\$ 16,630,534</b>	<b>\$ 178,846</b>	<b>\$ 4,974</b>	<b>\$ 16,804,406</b>	<b>\$ 49,284</b>	<b>\$ (1,405,367)</b>	<b>\$ 15,448,323</b>	

**Le-Ax Water District  
Athens County**

**Notes to Financial Statements  
For the Year's Ended December 31, 2008 and 2007**

**NOTE 4 - DEBT OBLIGATIONS**

Debt outstanding at December 31, 2008 and 2007, consisted of the following:

<u>Name</u>	<u>Principal Outstanding 12/31/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 12/31/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 12/31/08</u>	<u>Due within One Year</u>
Ohio Water Development Authority - OWDA	\$ 718,431	\$ -	\$ (59,040)	\$ 659,391	\$ -	\$ (60,221)	\$ 599,171	\$ 61,426
United States Department of Agriculture - USDA	6,211,297	-	(95,924)	6,115,373	-	(100,240)	6,015,133	104,750
United States Department of Agriculture - USDA	1,476,000	-	(15,425)	1,460,575	-	(16,081)	1,444,494	16,764
<b>TOTALS</b>	<b><u>\$ 8,405,728</u></b>	<b><u>\$ -</u></b>	<b><u>\$(170,389)</u></b>	<b><u>\$ 8,235,339</u></b>	<b><u>\$ -</u></b>	<b><u>\$(176,542)</u></b>	<b><u>\$ 8,058,798</u></b>	<b><u>\$ 182,940</u></b>

Ohio Water Development Authority (OWDA) Mortgage Revenue Bonds were issued in February 1997 for the construction of various fixed assets to provide service from the well to the distribution lines, including the operations plant and various storage facilities. Property and revenue of the District have been pledged to repay these amounts. The original balance of the obligation was \$1,200,328 accruing interest charges at 2.00% per year. The debt instrument requires semi-annual payments of \$36,704 for principal and interest retirement.

United States Department of Agriculture – Rural Development (USDA/RD) Revenue Bonds were issued in 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.

**Le-Ax Water District  
Athens County**

**Notes to Financial Statements  
For the Year's Ended December 31, 2008 and 2007**

**NOTE 4 - DEBT OBLIGATIONS (Continued)**

The annual requirements to amortize all bonded debt outstanding including interest as of December 31, 2008, is as follows:

Year Ending December 31	OWDA		USDA 1997		USDA 2005	
	Revenue Bonds		Revenue Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 61,426	\$ 11,983	\$ 104,750	\$ 270,681	\$ 16,764	\$ 61,391
2010	62,654	10,754	109,465	265,967	17,476	60,679
2011	63,906	9,502	114,391	261,041	18,219	59,936
2012	65,184	8,224	119,539	255,894	18,994	59,161
2013	66,488	6,920	124,918	250,514	19,801	58,354
2014-2018	279,513	14,122	714,141	1,163,019	112,365	278,409
2019-2023	-	-	889,950	987,212	138,360	252,415
2024-2028	-	-	1,109,040	768,120	170,370	220,405
2029-2033	-	-	1,382,065	495,095	209,784	180,991
2034-2038	-	-	1,346,874	154,856	258,317	132,458
2039-2043	-	-	-	-	318,078	72,698
2044-2045	-	-	-	-	145,966	9,350
Total	\$ 599,171	\$ 61,505	\$ 6,015,133	\$ 4,872,399	\$ 1,444,494	\$ 1,446,247

**NOTE 5 - RISK MANAGEMENT**

*Public Entity Pool of Ohio*

The District is a member of the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio political subdivisions. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member political subdivisions pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty Coverage** PEP retains up to \$250,000 per claim, including loss adjustment expenses. PEP makes an annual contribution to APEEP. APEEP reinsures casualty claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. If losses exhaust PEP's net assets, APEEP covers PEP's retained casualty risk up to \$10,000,000 per year, subject to a per-claim limit of \$2,000,000. Local political subdivisions can elect additional coverage, up to a limit of \$12,000,000 from the General Reinsurance Corporation.

**Property Coverage** PEP retains property risks, including automobile physical damage, up to \$100,000 in any one occurrence. APEEP reinsures property losses that are greater than

**Le-Ax Water District  
Athens County**

**Notes to Financial Statements  
For the Year's Ended December 31, 2008 and 2007**

\$100,000 up to \$250,000 per occurrence. The Travelers Indemnity Company reinsures losses exceeding \$250,000 up to \$600,000,000 per occurrence.

**NOTE 5 - RISK MANAGEMENT (Continued)**

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective local government.

**Financial Position** PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles and reported the following assets, liabilities, and retained earnings at December 31, 2007 and 2006:

	2007	2006		
Assets	\$ 37,560,071	\$ 36,123,194		
Liabilities	(17,340,825)	(16,738,904)		
Net Assets	\$ 20,219,246	\$ 19,384,290		

**NOTE 6 - PENSION PLAN**

**Ohio Public Employees Retirement System**

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over 5 years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2008, the members of all three plans, were required to contribute 10 percent of their annual covered salaries. The 2008 employer contribution rate for District employers was 14 percent of covered payroll. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. For the year ended December 31, 2007, the members of all three plans, were required to contribute 9.5 percent of their annual covered salaries. The 2007 employer contribution rate for District employers was 13.85 percent of covered payroll. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

**Le-Ax Water District  
Athens County**

**Notes to Financial Statements  
For the Year's Ended December 31, 2008 and 2007**

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The District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, 2006, and 2005 were \$94,102, \$100,501, \$85,428 and \$74,845, respectively. The full amount has been contributed for all years.

**NOTE 7 – POSTEMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional pension or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contributions to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute.

The 2008 and 2007 local government employer contribution rates were 14.00 and 13.85 percent of covered payroll; 5.00 percent from January 1 through June 30, 2007 and 6.00 percent from July 1 through December 31, 2007 of covered payroll were the portions that were used to fund health care for 2008 and 2007, respectively.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006 include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 to 5 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans approximated 374,979 in 2008 and 2007. Actual employer contributions which were used to fund postemployment benefits were \$2,900 for January 1, 2007 through June 30 and \$3,481 for July 1 through December 31, 2007. Benefits for 2008 were not available. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) was \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**Le-Ax Water District  
Athens County**

**Notes to Financial Statements  
For the Year's Ended December 31, 2008 and 2007**

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**NOTE 8 – EXPANSION PROJECT WRITE-OFF**

The District made a decision to stop an expansion project in Hocking County based upon lack of customer interest. Costs incurred of \$1,241,984 were expensed in March, 2008.

**NOTE 9 - ACCOUNTABILITY AND COMPLIANCE**

GASB 38 requires that significant violations of finance-related legal or contractual provisions be disclosed along with actions taken to address such violations. The District did not have any violations.

***Perry & Associates***  
**Certified Public Accountants, A.C.**

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Marietta, OH 45750  
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**INDEPENDENT ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

March 27, 2009

Board of Trustees  
Le-Ax Water District  
PO Box 97- 6000 Industrial Drive  
The Plains, Ohio 45780

To the Board of Trustees:

We have audited the financial statements of the business-type activities of the Le-Ax Water District, Athens County, (the District), as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Le-Ax Water District  
Athens County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's basic 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, providing an opinion 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 intend this report solely for the information and use of management and District Trustees. It is not intended for anyone other than these specified parties.

Respectfully Submitted

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." The signature is written in a cursive, flowing style.

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





**Mary Taylor, CPA**  
Auditor of State

**LE-AX 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  
MAY 19, 2009**