

**LE-AX WATER DISTRICT
ATHENS COUNTY
Single Audit
For the Year Ended December 31, 2009**

Perry & Associates
Certified Public Accountants, A.C.



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 Accountants' Report* of the Le-Ax Water District, Athens County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2009 through December 31, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 4, 2010

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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 ACCOUNTANTS' REPORT

March 10, 2010

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, 2009 and 2008, 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, 2009 and 2008, 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 10, 2010 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.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Federal Awards Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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.

**LE-AX WATER DISTRICT
ATHENS COUNTY
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2009 AND 2008**

	2009	2008
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 2,939,797	\$ 2,175,564
Accounts Receivable	286,579	269,023
Inventories	94,713	72,206
Prepaid Expenses	30,245	28,225
Total Current Assets	3,351,334	2,545,018
Noncurrent Assets:		
Capital Assets:		
Land and Easements	330,675	236,055
Construction-In-Progress	1,392,352	249,591
Depreciable Capital Assets (net of depreciation)	14,388,077	14,962,677
Capital Assets (net of depreciation)	16,111,104	15,448,323
Organizational Expense (net of accumulated amortization)	13,950	18,153
Total Noncurrent Assets	16,125,054	15,466,476
TOTAL ASSETS	\$ 19,476,388	\$ 18,011,494
LIABILITIES AND EQUITY:		
Current Liabilities:		
Accounts Payable	\$ 18,381	\$ 15,288
Accrued Wages and Compensated Leave	124,030	169,939
Accrued Payroll Deductions	15,305	16,546
Accrued Interest Payable	297,575	300,761
Current Portion of Long-Term Debt	189,595	182,940
Total Current Liabilities	644,886	685,474
Long-Term Liabilities:		
Long-term Notes Payable	9,307,921	7,875,858
Total Long-Term Liabilities	9,307,921	7,875,858
TOTAL LIABILITIES	\$ 9,952,807	\$ 8,561,332
Net Assets:		
Invested in Capital Assets, Net of Related Debt	6,613,588	7,389,523
Restricted Net Assets	697,141	214,942
Unrestricted Net Assets	2,212,852	1,845,697
Total Net Assets	9,523,581	9,450,162
TOTAL LIABILITIES AND NET ASSETS	\$ 19,476,388	\$ 18,011,494

The notes to the basic 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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Operating Revenues:		
Water Sales	\$ 2,949,085	\$ 2,865,689
Tap Sales	69,215	63,895
Reimbursement Income	-	5,883
Miscellaneous Income	124,300	50,025
	<u>3,142,600</u>	<u>2,985,492</u>
Operating Expenses:		
Plant Expense	213,268	209,502
Office Expenses	146,310	164,547
Employee Expense	1,165,488	1,194,254
Professional Fees	23,489	41,754
Utilities	248,637	216,305
Repairs and Maintenance	257,345	210,788
Vehicle Expense	38,546	65,259
Depreciation and Amortization	648,281	648,073
Miscellaneous	23,718	28,435
	<u>2,765,082</u>	<u>2,778,917</u>
Total Operating Expenses	<u>2,765,082</u>	<u>2,778,917</u>
Operating Income	<u>377,518</u>	<u>206,575</u>
Nonoperating Revenues/(Expenses):		
Interest Income	36,768	57,833
Interest Expense	(340,867)	(345,807)
Construction-In-Progress Write-Off (See Note 8)	-	(1,241,984)
	<u>(304,099)</u>	<u>(1,529,958)</u>
Total Non-operating Revenues/(Expenses)	<u>(304,099)</u>	<u>(1,529,958)</u>
Change in Net Assets	73,419	(1,323,383)
Net Assets - January 1	<u>9,450,162</u>	<u>10,773,545</u>
Net Assets - December 31	<u><u>\$ 9,523,581</u></u>	<u><u>\$ 9,450,162</u></u>

The notes to the basic 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, 2009 AND 2008**

	2009	2008
Cash Flows from Operating Activities:		
Cash Received from Water Sales and Tap Fees	\$ 3,000,319	\$ 2,893,783
Cash Received from Reimbursement and Miscellaneous Income	124,300	55,908
Cash Payments to Suppliers for Goods and Services	(968,853)	(912,021)
Cash Payments to Employees for Services	(1,212,638)	(1,177,220)
Net Cash Provided by (Used by) Operations	943,128	860,450
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(1,310,328)	(531,307)
Proceeds from Borrowings	1,621,658	-
Principal Paid on Long-Term Debt	(182,940)	(176,542)
Interest Paid	(344,053)	(350,670)
Net Cash Provided by (Used by) Capital and Related Financing Activities	(215,663)	(1,058,519)
Cash Flows from Investing Activities:		
Interest Received	36,768	57,833
Net Cash Provided by (Used by) Investing Activities	36,768	57,833
Net Increase/(Decrease) in Cash and Cash Equivalents	764,233	(140,236)
Cash and Cash Equivalents - January 1	2,175,564	2,315,800
Cash and Cash Equivalents - December 31	2,939,797	2,175,564
Cash Flows from Operating Activities:		
Operating Income	377,518	206,575
Adjustments to Reconcile Operating Income to Cash Flows from Operating Activities:		
Depreciation and Amortization	648,281	648,073
(Increase) Decrease in Accounts Receivable	(17,556)	(35,801)
(Increase) Decrease in Inventory	(22,507)	31,491
(Increase) Decrease in Prepaid Assets	(2,020)	(3,505)
Increase (Decrease) in Accounts Payable	3,093	(4,953)
Increase (Decrease) in Interest Payable	(3,186)	(4,863)
Increase (Decrease) in Payroll Related Liabilities	(47,150)	17,034
Increase (Decrease) in Current Portion of Long-Term Payables	6,655	6,399
Total Adjustments	565,610	653,875
Net Cash Provided by (Used by) Operating Activities	\$ 943,128	\$ 860,450

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

Le-Ax Water District
Athens County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008

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 after 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 the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008**

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 the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008

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, 2009 and 2008 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. Non-operating revenues and expenses include revenues and expenses from capital and related financing activities, and from investing activities.

**Le-Ax Water District
Athens County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008**

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 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.

**Le-Ax Water District
Athens County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008**

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 2009 and 2008, the District had \$175 in undeposited cash on hand, included as part of *Cash and cash equivalents*.

Deposits At year-end 2009 and 2008, the carrying amount of the District's deposits was \$2,034,854 and \$15,035 and the bank balance was \$2,134,375 and \$24,169, 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. Deposits with financial institutions were covered by federal depository insurance and/or were collateralized by a pool of securities maintained by the District's financial institutions but not in the District's name.

As of December 31, 2009 and 2008, the District had Certificates of Deposits with carrying values of \$904,768 and \$2,160,529, respectively.

**Le-Ax Water District
Athens County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008**

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, 2009 and 2008 consisted of the following:

	12/31/2007		12/31/2008			12/31/2009		
	Balance		Additions	Deletions	Balance	Additions	Deletions	Balance
Capital assets non-depreciable:								
Land	\$ 224,014	\$ -	\$ -	\$ -	\$ 224,014	\$ 94,620	\$ -	\$ 318,634
Easements	12,041	-	-	-	12,041	-	-	12,041
Construction in progress	1,529,084	125,874	(1,405,367)		249,591	1,142,761	-	1,392,352
Total non-depreciable capital assets	1,765,139	125,874	(1,405,367)		485,646	1,237,381	-	1,723,027
Capital assets being depreciated:								
Water Plant and Buildings	4,663,069	-	-	-	4,663,069	-	-	4,663,069
Water Lines, Tanks, Wells	16,650,142	500,280	-	-	17,150,422	-	-	17,150,422
Roads, Parking Area, Fencing	68,836	-	-	-	68,836	-	-	68,836
Water Meters and installation	1,060,343	39,609	-	-	1,099,952	21,907	-	1,121,859
Miscellaneous Equipment	696,318	13,610	-	-	709,928	47,570	-	757,498
Office Equipment	180,026	9,580	-	-	189,606	-	-	189,606
Total capital assets being depreciated	23,318,734	563,079	-	-	23,881,813	69,477	-	23,951,290
Less accumulated depreciation:								
Water Plant and Buildings	1,211,703	120,190	-	-	1,331,893	120,189	-	1,452,082
Water Lines, Tanks, Wells	5,577,713	431,970	-	-	6,009,683	447,575	-	6,457,258
Roads, Parking Area, Fencing	42,281	5,026	-	-	47,307	5,026	-	52,333
Water Meters and Installation	688,775	35,199	-	-	723,974	35,059	-	759,033
Miscellaneous Equipment	585,787	41,343	-	-	627,130	33,599	-	660,729
Office Equipment	173,208	5,941	-	-	179,149	2,629	-	181,778
Total accumulated depreciation	8,279,467	639,669	-	-	8,919,136	644,077	-	9,563,213
Capital assets, net of depreciation	\$ 16,804,406	\$ 49,284	\$ (1,405,367)		\$ 15,448,323	\$ 662,781	\$ -	\$ 16,111,104

**Le-Ax Water District
Athens County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008**

NOTE 4 - DEBT OBLIGATIONS

Debt outstanding at December 31, 2009 and 2008, consisted of the following:

<u>Name</u>	<u>Principal Outstanding 12/31/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 12/31/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 12/31/09</u>	<u>Due in One Year</u>
United States Department of Agriculture - USDA	\$ -	\$ -	\$ -	\$ -	\$1,621,658	\$ -	\$ 1,621,658	\$ -
Ohio Water Development Authority - OWDA	659,391	-	60,220	599,171	-	61,425	537,746	62,654
United States Department of Agriculture - USDA	6,115,373	-	100,240	6,015,133	-	104,751	5,910,382	109,465
United States Department of Agriculture - USDA	1,460,575	-	16,081	1,444,494	-	16,764	1,427,730	17,476
TOTALS	<u>\$ 8,235,339</u>	<u>\$ -</u>	<u>\$ 176,541</u>	<u>\$ 8,058,798</u>	<u>\$1,621,658</u>	<u>\$ 182,940</u>	<u>\$ 9,497,516</u>	<u>\$ 189,595</u>

United States Department of Agriculture – Rural Development (USDA/RD) Revenue Bonds were issued in July 2009 for the construction of a new collector well, access road and water line. Revenue of the District has been pledged to repay these bonds. The original balance of the obligation was \$3,284,000 accruing interest charges at 2.625% per year. The debt instrument requires annual payments due August 1st for principal and interest repayment. Interest payments only are due until August 2012. As of December 31, 2009, the District has drawn \$1,621,658 of the \$3,284,000.

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 the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008**

NOTE 4 - DEBT OBLIGATIONS (Continued)

The annual requirements to amortize all bonded debt outstanding including interest as of December 31, 2009 is as follows:

Year Ending	OWDA		USDA 1997		USDA 2005		USDA 2009	
	Revenue Bonds		Revenue Bonds		Revenue Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 62,654	\$ 10,754	\$ 109,465	\$ 265,967	\$ 17,476	\$ 60,679	\$ -	\$ 80,455
2011	63,906	9,502	114,391	261,041	18,219	59,936	-	86,205
2012	65,184	8,224	119,539	255,894	18,994	59,161	51,428	86,205
2013	66,488	6,920	124,918	250,514	19,801	58,354	52,778	84,855
2014	67,818	5,590	130,539	244,893	20,642	57,513	54,163	83,470
2015-2019	211,696	8,532	746,277	1,130,883	117,141	273,634	292,905	395,260
2020-2024	-	-	929,998	947,164	144,241	246,534	333,421	354,744
2025-2029	-	-	1,158,947	718,213	177,610	213,165	379,541	308,624
2030-2034	-	-	1,444,258	432,902	218,700	172,075	432,041	256,125
2035-2039	-	-	1,032,050	94,247	269,296	121,479	491,802	196,363
2040-2044	-	-	-	-	331,596	59,179	559,830	128,335
2045-2049	-	-	-	-	74,015	3,146	636,091	50,897
Total	\$ 537,746	\$ 49,522	\$ 5,910,382	\$ 4,601,718	\$ 1,427,730	\$ 1,384,855	\$ 3,284,000	\$ 2,111,538

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 local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

**Le-Ax Water District
Athens County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008**

NOTE 5 - RISK MANAGEMENT (Continued)

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, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	(15,310,206)	(17,340,825)
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The District's share of these unpaid claims collectible in future years is approximately \$27,493.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2007	\$33,361
2008	\$32,791

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

There has been no reduction in insurance coverage from the previous year. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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.

**Le-Ax Water District
Athens County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008**

NOTE 6 - PENSION PLAN (Continued)

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 years ended December 31, 2008 and 2009, the members of all three plans, were required to contribute 10 percent of their annual covered salaries. The 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.

The District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, 2007 and 2006 were \$108,548, \$94,102, \$100,501 and \$85,428, respectively. The full amount has been contributed for all years.

NOTE 7 – POSTEMPLOYMENT BENEFITS

Plan Description

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

**Le-Ax Water District
Athens County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008**

NOTE 7 – POSTEMPLOYMENT BENEFITS (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008 and 2009, state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008 and 2009, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The portion of employer contributions that were used to fund post-employment benefits for 2009 and 2008 approximated \$54,274 and \$47,051, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective 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.

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.

**LE-AX WATER DISTRICT
ATHENS COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Direct Program:</i>			
Water and Waste Disposal Systems for Rural Communities	N/A	10.760	\$ <u>1,199,818</u>
Total U.S. Department of Agriculture			<u>1,199,818</u>
Total Federal Awards Expenditures			<u><u>\$ 1,199,818</u></u>

See Notes to the Schedule of Federal Awards Expenditures

**Le-Ax Water District
Athens County
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2009**

Note A – Significant Accounting Policies

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than the obligation is incurred.

Perry & Associates
Certified Public Accountants, A.C.

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

March 10, 2010

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, 2009 and December 31, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 10, 2010. 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 the purpose of expressing our opinion 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 *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 more than reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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, District Trustees and federal awarding agencies. 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." in a cursive script.

Perry and Associates
Certified Public Accountants, A.C.

Perry & Associates
Certified Public Accountants, A.C.

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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

March 10, 2010

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

To the Board of Trustees:

Compliance

We have audited the compliance of **Le-Ax Water District, Athens County, Ohio** (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2009. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect one of the major federal programs. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of management, District Trustees and federal awarding agencies. It is not intended for anyone other than these specified parties.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C

Le-Ax Water District
Athens County
Schedule of Findings
OMB CIRCULAR A -133 § .505
December 31, 2009

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(I)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(I)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(I)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(I)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(I)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(I)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(I)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(I)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(I)(vii)</i>	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities CFDA # 10.760
<i>(d)(I)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(I)(ix)</i>	Low Risk Auditee?	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



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 18, 2010**