

FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

Le-Ax Water District

For the Years Ended December 31, 2000 and 1999

William Kenneth Yoho II
Certified Public Accountant

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STATE OF OHIO
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Le-Ax Water District of Athens County
6000 Industrial Drive, PO Box 97
The Plains, Ohio 45780

We have reviewed the Independent Auditor's Report of the Le-Ax Water District, Athens County, prepared by William Kenneth Yoho II, CPA, for the audit period January 1, 1999 to December 31, 2000. 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.

JIM PETRO
Auditor of State

July 16, 2001

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Le-Ax Water District
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Le-Ax Water District
 Elected Officials and Administrative Personnel
 For the Years Ended December 31, 2000 and 1999

| <u>ELECTED OFFICIAL</u> | <u>TITLE</u> |
|-------------------------|---------------------|
| W. Richard Shaw | President |
| Bernard Grueser | Vice-president |
| M. Scott Nisely | Secretary-Treasurer |
| David Perry | Member |
| Keith Scott | Member |

| <u>Legal Counsel</u> | <u>Legal Counsel</u> |
|---|--|
| Shostak Law Office Joseph B. Yanity, Attorney at Law 18 W. State St, PO Box 748 Athens, OH 45701 | Benesch, Friedlander, Coplan & Aronoff, LLP Orla E. Collier, Attorney at Law 88 E. Broad Steet Columbus, OH 43215 |

| <u>ADMINISTRATIVE PERSONNEL</u> | <u>TITLE</u> | <u>CONTRACT PERIOD</u> |
|-------------------------------------|--------------------|----------------------------|
| John W. Collins | General Manager | Continuing |
| Linda G. Nelson | Financial/Clerical | Continuing |
| Betty L. Clark | Financial/Clerical | Continuing |

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WILLIAM KENNETH YOHO II

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Le-Ax Water District
Athens County
6000 Industrial Drive, PO Box 97
The Plains, Ohio 45780

To the Board of Directors:

I have audited the accompanying general-purpose financial statements of Le-Ax Water District, Athens County, Ohio, (the District) as of and for the years ended December 31, 2000 and 1999. These general-purpose financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Le-Ax Water District as of December 31, 2000 and 1999, and the results of its operations and cash flows of its proprietary fund type for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 8, 2001, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

This report is intended solely for the information and use of the Board of Directors and management of Le-Ax Water District and other officials authorized to receive this report under section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

William Kenneth Yoho II
Certified Public Accountant
June 8, 2001

Putting the service back in a service industry.
P. O. Box 521, Belpre, Ohio 45714-0521 Phone/Fax: (740)989-5220

Le-Ax Water District
Balance Sheets
December 31, 2000 and 1999

| | <u>2000</u> | <u>1999</u> |
|---|-----------------------------|-----------------------------|
| ASSETS: | | |
| Cash and Cash Equivalents | \$ 2,130,631 | \$ 1,628,212 |
| Accounts Receivable - Water Billings | 219,537 | 210,196 |
| Inventories | 72,627 | 85,072 |
| Prepaid Expenses | 6,568 | 11,182 |
| Fixed Assets (net of accumulated depreciation) | 14,390,348 | 14,699,622 |
| Organizational Expense (net of accumulated amortization) | 51,774 | 55,976 |
| Easements | <u>10,509</u> | <u>10,509</u> |
| TOTAL ASSETS | <u>\$ 16,881,994</u> | <u>\$ 16,700,769</u> |

| | <u>2000</u> | <u>1999</u> |
|------------------------------|-------------------------|-------------------------|
| LIABILITIES: | | |
| Accounts Payable | \$ 47,332 | \$ 45,029 |
| Accrued Wages | 19,493 | 16,342 |
| Compensated Absences Payable | 69,539 | 70,307 |
| Accrued Payroll Deductions | 12,731 | 14,538 |
| Accrued Interest Payable | 276,625 | 279,533 |
| OWDA Mortgage Revenue Bonds | 1,022,926 | 1,074,838 |
| USDA/RD Revenue Bonds | <u>6,706,060</u> | <u>6,776,548</u> |
| TOTAL LIABILITIES | <u>8,154,706</u> | <u>8,277,135</u> |

| | | |
|-------------------------------------|-----------------------------|-----------------------------|
| EQUITY: | | |
| Contributed Capital | 7,776,229 | 7,776,229 |
| Unreserved Retained Earnings | <u>951,059</u> | <u>647,405</u> |
| TOTAL EQUITY | <u>8,727,288</u> | <u>8,423,634</u> |
| TOTAL LIABILITIES AND EQUITY | <u>\$ 16,881,994</u> | <u>\$ 16,700,769</u> |

Refer both to the auditor's reports and the notes to the financial statements.

Le-Ax Water District
 Statements of Revenues, Expenses, and Changes in Retained Earnings
 For the Years Ended December 31, 2000 and 1999

| | <u>2000</u> | <u>1999</u> |
|---|---------------------|---------------------|
| OPERATING REVENUES: | | |
| Charges for Services | \$ <u>2,229,188</u> | \$ <u>2,215,803</u> |
| Total Operating Revenues | <u>2,229,188</u> | <u>2,215,803</u> |
| OPERATING EXPENSES: | | |
| Costs of Sales and Services | 89,271 | 79,339 |
| Personal Services | 676,038 | 672,392 |
| Travel and Transportation | 28,413 | 25,215 |
| Contractual Services | 246,288 | 223,363 |
| Supplies and Materials | 64,430 | 73,932 |
| Repairs and Maintenance | 100,492 | 173,383 |
| Depreciation | 501,309 | 502,097 |
| Amortization | <u>4,203</u> | <u>4,203</u> |
| Total Operating Expenses | <u>1,710,444</u> | <u>1,753,924</u> |
| Operating Income (Loss) | <u>518,744</u> | <u>461,879</u> |
| NON-OPERATING REVENUES AND EXPENSES: | | |
| Interest Income | 77,923 | 45,478 |
| Interest Expense | (323,534) | (307,110) |
| Miscellaneous Income | <u>30,521</u> | <u>30,921</u> |
| Total Non-Operating Revenues and Expenses | <u>(215,090)</u> | <u>(230,711)</u> |
| Net Income (Loss) | 303,654 | 231,168 |
| Retained Earnings, beginning of year | <u>647,405</u> | <u>416,237</u> |
| Retained Earnings, end of year | <u>\$ 951,059</u> | <u>\$ 647,405</u> |

Refer both to the auditor's reports and the notes to the financial statements.

Le-Ax Water District
 Statements of Cash Flows
 For the Years Ended December 31, 2000 and 1999

| | <u>2000</u> | <u>1999</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Excess of revenues over expenses | \$ <u>518,744</u> | \$ <u>461,879</u> |
| Adjustments to reconcile operating activities: | | |
| Depreciation and amortization | 505,512 | 506,300 |
| (Increase)decrease in accounts receivable | (9,341) | (10,793) |
| (Increase)decrease in prepaid expenses | 4,614 | (5,048) |
| (Increase)decrease in inventories | 12,444 | (39,568) |
| Increase(decrease) in accounts payable | 2,303 | 7,401 |
| Increase(decrease) in accrued liabilities | 575 | (4,146) |
| Increase(decrease) in deferred income | 0 | (200) |
| Increase(decrease) in interest payable | <u>(2,907)</u> | <u>(2,290)</u> |
| Total adjustments | <u>513,200</u> | <u>451,656</u> |
| Net cash provided by operating activities | <u>1,031,944</u> | <u>913,535</u> |
| Cash flows from non-capital financing activities: | | |
| Miscellaneous non-operating income | <u>30,521</u> | <u>30,921</u> |
| Net cash provided by non-capital financing | <u>30,521</u> | <u>30,921</u> |
| Cash flows from capital-related financing activities: | | |
| Acquisition of fixed assets | (192,035) | (87,134) |
| Principal paid on OWDA note | (51,912) | (50,894) |
| Interest paid on OWDA note | (21,497) | (22,515) |
| Principal paid on USDA/RD note | (70,488) | (67,452) |
| Interest paid on USDA/RD note | <u>(302,037)</u> | <u>(284,595)</u> |
| Net cash used by capital-related financing | <u>(637,969)</u> | <u>(512,590)</u> |
| Cash flows from investing activities: | | |
| Interest earned on investments | <u>77,923</u> | <u>45,478</u> |
| Net cash provided by investing activities | <u>77,923</u> | <u>45,478</u> |
| Net increase in cash and cash equivalents | 502,419 | 477,344 |
| Cash and cash equivalents, beginning of year | <u>1,628,212</u> | <u>1,150,868</u> |
| Cash and cash equivalents, end of year | <u>\$ 2,130,631</u> | <u>\$ 1,628,212</u> |

Refer both to the auditor's reports and the notes to the financial statements.

Le-Ax Water District
 Statements of Revenues, Expenses, and Changes in Retained Earnings
 Budget-to-Actual
 For the Year Ended December 31, 2000

| | Actual | Budget | Difference |
|---|--------------------------|--------------------------|--------------------------|
| OPERATING REVENUES: | | | |
| Charges for services | \$ <u>2,229,188</u> | \$ <u>2,375,600</u> | \$ <u>(146,412)</u> |
| Total revenues | <u>2,229,188</u> | <u>2,375,600</u> | <u>(146,412)</u> |
| OPERATING EXPENSES: | | | |
| Costs of Sales and Services | 89,271 | 75,000 | (14,271) |
| Personal Services | 676,038 | 649,700 | (26,338) |
| Travel and Transportation | 28,413 | 21,500 | (6,913) |
| Contractual Services | 246,288 | 373,000 | 126,712 |
| Supplies and Materials | 64,430 | 204,000 | 139,570 |
| Repairs and Maintenance | 100,492 | 299,000 | 198,508 |
| Depreciation | 501,309 | 500,000 | (1,309) |
| Amortization | <u>4,203</u> | <u>0</u> | <u>(4,203)</u> |
| Total expenses | <u>1,710,444</u> | <u>2,122,200</u> | <u>411,756</u> |
| Operating Income (Loss) | <u>518,744</u> | <u>253,400</u> | <u>265,344</u> |
| NONOPERATING REVENUES AND EXPENSES: | | | |
| Interest income | 77,923 | 42,000 | 35,923 |
| Interest expense | (323,534) | (331,000) | 7,466 |
| Miscellaneous income | <u>30,521</u> | <u>40,000</u> | <u>(9,479)</u> |
| Total nonoperating revenues and expenses | <u>(215,090)</u> | <u>(249,000)</u> | <u>33,910</u> |
| Net Income (Loss) | 303,654 | 4,400 | 299,254 |
| Retained Earnings, beginning of year | <u>647,405</u> | <u>647,405</u> | <u>0</u> |
| Retained Earnings, end of year | \$ <u><u>951,059</u></u> | \$ <u><u>651,805</u></u> | \$ <u><u>299,254</u></u> |

Refer both to the auditor's reports and the notes to the financial statements.

Le-Ax Water District
 Statements of Revenues, Expenses, and Changes in Retained Earnings
 Budget-to-Actual
 For the Year Ended December 31, 1999

| | Actual | Budget | Difference |
|---|---------------------|---------------------|--------------------|
| OPERATING REVENUES: | | | |
| Charges for services | \$ <u>2,215,803</u> | \$ <u>2,255,000</u> | \$ <u>(39,197)</u> |
| Total revenues | <u>2,215,803</u> | <u>2,255,000</u> | <u>(39,197)</u> |
| OPERATING EXPENSES: | | | |
| Costs of Sales and Services | 79,339 | 86,200 | 6,861 |
| Personal Services | 672,392 | 618,400 | (53,992) |
| Travel and Transportation | 25,215 | 20,500 | (4,715) |
| Contractual Services | 223,363 | 371,500 | 148,137 |
| Supplies and Materials | 73,932 | 95,000 | 21,068 |
| Repairs and Maintenance | 173,383 | 363,200 | 189,817 |
| Depreciation | 502,097 | 492,000 | (10,097) |
| Amortization | <u>4,203</u> | <u>0</u> | <u>(4,203)</u> |
| Total expenses | <u>1,753,924</u> | <u>2,046,800</u> | <u>292,876</u> |
| Operating Income (Loss) | <u>461,879</u> | <u>208,200</u> | <u>253,679</u> |
| NONOPERATING REVENUES AND EXPENSES: | | | |
| Interest income | 45,478 | 40,000 | 5,478 |
| Interest expense | (307,110) | (331,000) | 23,890 |
| Miscellaneous income | <u>30,921</u> | <u>50,000</u> | <u>(19,079)</u> |
| Total nonoperating revenues and expenses | <u>(230,711)</u> | <u>(241,000)</u> | <u>10,289</u> |
| Net Income (Loss) | 231,168 | (32,800) | 263,968 |
| Retained Earnings, beginning of year | <u>416,237</u> | <u>416,237</u> | <u>0</u> |
| Retained Earnings, end of year | <u>\$ 647,405</u> | <u>\$ 383,437</u> | <u>\$ 263,968</u> |

Refer both to the auditor's reports and the notes to the financial statements.

Le-Ax Water District
Notes to Financial Statements
For the Years Ended December 31, 2000 and 1999

Note 1. Reporting Entity

The Le-Ax Water District (the District) is a water district organized under the provisions of Chapter 6119 of the Revised Code by the Common Pleas Court of Athens County, Ohio, on February 6, 1981. The District operates under the direction of a five-member board of directors. An appointed staff consisting of a general manager, superintendent, and two office clerks are responsible for fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the water district users and for industrial and business use. The District serves all or parts of the following political subdivisions:

| <u>Athens County</u> | <u>Meigs County</u> | <u>Vinton County</u> |
|----------------------|---------------------|-----------------------|
| Alexander Township | Columbia Township | 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 reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Le-Ax Water District, this consists of general operations.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the District.

Note 2. Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable 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 those standards do not conflict with or contradict GASB pronouncements. The significant portions of the District's accounting policies are described below.

Le-Ax Water District
Notes to Financial Statements
For the Years Ended December 31, 2000 and 1999
Continued

Note 2. Summary of Significant Accounting Policies (continued)

A. Basis of Accounting

Enterprise funds are accounted for in a manner similar to private business enterprises where the intent of management is that the costs and expenses, including depreciation, of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges and/or where management has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control and accountability.

Enterprise funds are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred.

B. Budgetary Process

The District's Board of Directors adopted budgets for the years ended December 31, 2000 and 1999. Recent Ohio Attorney General Opinion No. 99-020 has clarified that the budget process described in Ohio Revised Code Chapter 5705 applies to the District, regardless of whether the District levies property taxes. Expenditures are to be limited by the amount of appropriations. Annual appropriations are to be limited by estimated resources.

C. Deposits and Investments

Investments were limited to certificates of deposits. Certificates of deposits are classified in the financial statements as cash equivalents.

D. 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 recorded as an expense at the time individual inventory items are used.

E. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the applicable fiscal year ended December 31, 2000 and 1999 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 year in which the services are consumed.

Le-Ax Water District
Notes to Financial Statements
For the Years Ended December 31, 2000 and 1999
Continued

Note 2. Summary of Significant Accounting Policies (continued)

F. Fixed Assets and Depreciation

Fixed assets acquired or constructed for the general use of the District in providing services are recorded at cost. Donated assets are recorded at their estimated fair market value at the time recorded. Depreciation of fixed 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 fixed 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 |

G. 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 employees' 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.

H. Contributed Capital

Contributed capital represents resources from other governments and private sources provided to proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date donated. 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 grants.

Le-Ax Water District
Notes to Financial Statements
For the Years Ended December 31, 2000 and 1999
Continued

Note 2. Summary of Significant Accounting Policies (continued)

I. 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.

Note 3. 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 two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies that 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.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may 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 any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

Le-Ax Water District
Notes to Financial Statements
For the Years Ended December 31, 2000 and 1999
Continued

Note 3. Deposits and Investments (continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer’s investment pool (STAR Ohio).

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits by categories of risk as defined in GASB Statement 3, “Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements”.

Deposits At December 31, 2000 and 1999, the carrying amount of the District’s deposits were as listed below. All amounts were covered by federal deposit insurance and/or collateralized within the limits described above.

| | <u>2000</u> | <u>1999</u> |
|----------------------|--------------|--------------|
| Bank balances | \$ 2,130,631 | \$ 1,628,212 |
| Book balances | \$ 2,131,513 | \$ 1,638,089 |

Investments The District’s investments are required to be categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the district’s name. Category 2 includes uninsured and unregistered investments that are held by the counterpart’s trust department or agent in the District’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterpart, or by its trust department or agent but not in the District’s name.

During the two years ended December 31, 2000 and 1999, the District did not have any investments as described above. The classification of cash and cash equivalents on the financial statements is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Government Entities that Use Proprietary Fund Accounting”.

Le-Ax Water District
Notes to Financial Statements
For the Years Ended December 31, 2000 and 1999
Continued

Note 4. Fixed Assets

A summary of fixed assets at December 31, 2000 and 1999 is as follows:

| | <u>2000</u> | <u>1999</u> |
|------------------------------------|--------------------------|--------------------------|
| Land | \$ 64,829 | \$ 64,829 |
| Water Plant and Building | 4,589,390 | 4,577,690 |
| Water Lines, Tanks, and Wells | 12,648,521 | 12,644,156 |
| Water Meters and Installation | 804,563 | 763,733 |
| Miscellaneous Equipment | 517,309 | 512,996 |
| Office Equipment | 162,851 | 87,216 |
| Roads and Parking Lots | 29,851 | 18,576 |
| Construction in Progress | <u>35,046</u> | <u>18,202</u> |
| Totals | 18,852,360 | 18,687,398 |
| Less: Accumulated Depreciation | <u>4,462,012</u> | <u>3,987,776</u> |
| Total Net Fixed Assets | <u>\$ 14,390,348</u> | <u>\$ 14,699,622</u> |

Note 5. Debt

The District's debt outstanding consisted of the following items.

Ohio Water Development Authority (OWDA) Mortgage Revenue Bonds as of December 31, 2000 and 1999 were \$1,022,926 and \$1,074,838, respectively. These mortgage revenue bonds were for various fixed assets constructed 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.

United States Department of Agriculture – Rural Development (USDA/RD), formerly Farmers Home Administration, Le-Ax Water System Revenue Bonds as of December 31, 2000 and 1999 were \$6,706,060 and \$6,776,548, respectively. These water system revenue bonds were for various fixed assets constructed 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 amounts.

The annual requirements to amortize all bonded debt outstanding as of December 31, 2000, including principal and interest payments are as follows.

| <u>Year Ended</u> | <u>OWDA</u> | <u>USDA/RD</u> |
|-------------------|-------------|----------------|
| 2001 | \$ 73,408 | \$ 375,432 |
| 2002 | \$ 73,409 | \$ 375,432 |
| 2003 | \$ 73,408 | \$ 375,432 |
| 2004 | \$ 73,409 | \$ 375,432 |
| 2005 | \$ 73,408 | \$ 375,432 |
| To maturity | \$844,198 | \$12,013,833 |

Le-Ax Water District
Notes to Financial Statements
For the Years Ended December 31, 2000 and 1999
Continued

Note 6. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the two years ended December 31, 2000 and 1999, the District contracted for the following insurance coverages.

| | |
|-------------------------------------|------------------------------|
| General liability: | |
| Per occurrence = \$4,000,000 | Total per year = \$6,000,000 |
| Buildings and contents | \$7,586,200 |
| Commercial crime | \$50,000 |
| Automobile liability | \$4,000,000 |
| Uninsured and underinsured motorist | \$1,000,000 |

Note 7. Public Employees Retirement System

Defined Benefit Retirement System District employees participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit pension plan created by the State of Ohio. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The 2000 employee contribution rate was 8.5% for all employees except law enforcement. The 2000 employer contribution rate was 13.55% of covered payroll. The District's contributions to PERS for the years ended December 31, 2000 and 1999, were \$43,127 and \$67,539, respectively. This contribution was equal to the required contribution for each year. The District's payroll for 2000 and 1999 totaled \$501,662 and \$492,729, respectively, and was entirely covered by PERS. Employee contributions to PERS totaled \$54,425 and \$42,368 in 2000 and 1999, respectively.

Postemployment Benefits PERS provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement service is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2000 employer contribution rate for local government employer units was 13.55% of covered payroll; 5.11% was the portion that was used to fund health care for 1997; 4.2% was the portion that was used to fund health care for 2000.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. Benefits are funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Le-Ax Water District
Notes to Financial Statements
For the Years Ended December 31, 2000 and 1999
Continued

Note 7. Public Employees Retirement System (continued)

Expenditures for OPEB during 2000 were \$523,599,349. As of December 31, 2000, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 2000, was 118,062.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

LE-AX WATER DISTRICT
December 31, 2000 and 1999

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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WILLIAM KENNETH YOHO II

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

I have audited the financial statements of Le-Ax Water District, as of and for the years ended December 31, 2000 and 1999, and have issued my report thereon dated June 8, 2001. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the agency's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that would be required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting that I consider to be material weaknesses as defined above. However, I noted other matters involving the internal control over financial reporting that do not require inclusion in this report that I have reported to the management of Le-Ax Water District in a separate management letter dated June 8, 2001.

This report is intended for the information and use of the management, Board of Trustees, and certain funding and oversight agencies of the Le-Ax Water District and is not intended to be and should not be used by anyone other than these specified parties.

William Kenneth Yoho II
Certified Public Accountant
June 8, 2001

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OFFICE OF THE AUDITOR

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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
JULY 31, 2001**