

**LE-AX WATER DISTRICT
ATHENS COUNTY
Regular Audit
For the Years Ended December 31, 2011 and 2010**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Board of Directors
Le-Ax Water District
PO Box 97
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, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Le-Ax Water District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 16, 2012

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**LE-AX WATER DISTRICT
ATHENS COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

February 22, 2012

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

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities of **Le-Ax Water District**, Athens County, Ohio (the District) as of and for the years ended December 31, 2011 and 2010, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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, 2011 and 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2012 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Le-Ax Water District
Independent Accountants' Report
Page 2

The District has not presented 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 financial statements.

Respectfully Submitted,

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

Perry and Associates
Certified Public Accountants, A.C.

**LE-AX WATER DISTRICT
ATHENS COUNTY
STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 2,871,322	\$ 3,222,324
Accounts Receivable	318,581	293,573
Inventories	94,848	114,362
Prepaid Expenses	<u>30,190</u>	<u>28,905</u>
Total Current Assets	<u>3,314,941</u>	<u>3,659,164</u>
Restricted Assets:		
Restricted Cash	600,000	-
Noncurrent Assets:		
Capital Assets:		
Land and Easements	330,675	330,675
Depreciable Capital Assets (Net of Depreciation)	<u>16,391,883</u>	<u>16,620,500</u>
Capital Assets (Net of Depreciation)	16,722,558	16,951,175
Organizational Expense (Net of Accumulated Amortization)	<u>5,545</u>	<u>9,748</u>
Total Noncurrent Assets	<u>16,728,103</u>	<u>16,960,923</u>
TOTAL ASSETS	<u>\$ 20,643,044</u>	<u>\$ 20,620,087</u>
LIABILITIES AND EQUITY:		
Current Liabilities:		
Accounts Payable	\$ 14,211	\$ 25,539
Accrued Wages and Compensated Leave	193,263	133,278
Accrued Payroll Deductions	25,715	22,305
Accrued Interest Payable	317,806	316,582
Current Portion of Long-Term Debt	<u>286,553</u>	<u>196,516</u>
Total Current Liabilities	<u>837,548</u>	<u>694,220</u>
Long-Term Liabilities:		
Long-Term Notes Payable	<u>10,518,601</u>	<u>10,499,782</u>
Total Long-Term Liabilities	<u>10,518,601</u>	<u>10,499,782</u>
TOTAL LIABILITIES	<u>\$ 11,356,149</u>	<u>\$ 11,194,002</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	5,917,404	6,254,877
Restricted Net Assets	600,000	700,740
Unrestricted Net Assets	<u>2,769,491</u>	<u>2,470,468</u>
Total Net Assets	<u>9,286,895</u>	<u>9,426,085</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,643,044</u>	<u>\$ 20,620,087</u>

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

**LE-AX WATER DISTRICT
ATHENS COUNTY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Operating Revenues:		
Water Sales	\$ 3,168,273	\$ 3,077,483
Tap Sales	59,800	57,690
Miscellaneous Income	<u>97,567</u>	<u>104,669</u>
 Total Operating Revenues	 <u>3,325,640</u>	 <u>3,239,842</u>
Operating Expenses:		
Plant Expense	231,829	223,643
Office Expense	106,099	181,918
Employee Expense	1,227,820	1,216,938
Professional Fees	35,711	36,961
Utilities	248,555	270,658
Repairs and Maintenance	512,553	317,581
Vehicle Expense	54,928	51,761
Depreciation and Amortization	<u>737,717</u>	<u>693,848</u>
 Total Operating Expenses	 <u>3,155,212</u>	 <u>2,993,308</u>
 Operating Income	 <u>170,428</u>	 <u>246,534</u>
Non-Operating Revenues/(Expenses):		
Grants and Contributions	79,591	-
Interest Income	22,637	31,027
Interest Expense	<u>(411,846)</u>	<u>(375,057)</u>
 Total Non-Operating Revenues/(Expenses)	 <u>(309,618)</u>	 <u>(344,030)</u>
 Change in Net Assets	 (139,190)	 (97,496)
 Net Assets - January 1	 <u>9,426,085</u>	 <u>9,523,581</u>
 Net Assets - December 31	 <u><u>\$ 9,286,895</u></u>	 <u><u>\$ 9,426,085</u></u>

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

**LE-AX WATER DISTRICT
ATHENS COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Cash Received from Water Sales and Tap Fees	\$ 3,203,065	\$ 3,128,179
Cash Received from Reimbursement and Miscellaneous Income	97,567	104,669
Cash Payments to Suppliers for Goods and Services	(1,219,232)	(1,093,673)
Cash Payments to Employees for Services	<u>(1,164,425)</u>	<u>(1,200,690)</u>
Net Cash Provided by (Used by) Operating Activities	<u>916,975</u>	<u>938,485</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(468,439)	(1,529,717)
Proceeds from Grants and Contributions	79,591	-
Proceeds from Borrowings	305,372	1,388,377
Principal Paid on Long-Term Debt	(196,516)	(189,595)
Interest Paid	<u>(410,622)</u>	<u>(356,050)</u>
Net Cash Provided by (Used by) Capital and Related Financing Activities	<u>(690,614)</u>	<u>(686,985)</u>
Cash Flows from Investing Activities:		
Interest Received	<u>22,637</u>	<u>31,027</u>
Net Cash Provided by (Used by) Investing Activities	<u>22,637</u>	<u>31,027</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	248,998	282,527
Cash and Cash Equivalents - January 1	<u>3,222,324</u>	<u>2,939,797</u>
Cash and Cash Equivalents - December 31	<u>\$ 3,471,322</u>	<u>\$ 3,222,324</u>
Reconciliation of Operating Income to Net Cash Provided by (Used by) Operating Activities:		
Operating Income	\$ 170,428	\$ 246,534
Adjustments:		
Depreciation and Amortization	737,717	693,848
(Increase) Decrease in Accounts Receivable	(25,008)	(6,994)
(Increase) Decrease in Inventory	(19,514)	(19,649)
(Increase) Decrease in Prepaid Assets	1,285	1,340
Increase (Decrease) in Accounts Payable	(11,328)	7,158
Increase (Decrease) in Payroll Related Liabilities	<u>63,395</u>	<u>16,248</u>
Total Adjustments	<u>746,547</u>	<u>691,951</u>
Net Cash Provided by (Used by) Operating Activities	<u>\$ 916,975</u>	<u>\$ 938,485</u>

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, 2011 and 2010**

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, 2011 and 2010**

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.

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, 2011 and 2010**

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, 2011 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, 2011 and 2010**

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, 2011 and 2010**

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 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.

Undeposited Cash At year-end 2011, the District had \$200 in un-deposited cash on hand, included as part of *Cash and cash equivalents*.

Deposits At year-end 2011 and 2010, the carrying amount of the District's deposits was \$2,520,861 and \$2,290,687 and the bank balance was \$3,515,221 and \$2,311,414, 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, 2011 and 2010, the District had Certificates of Deposits with carrying values of \$950,261 and \$931,437, respectively.

Le-Ax Water District
Athens County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

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, 2011 and 2010 consisted of the following:

	12/31/2009		12/31/2010		12/31/2011		Balance
	Balance	Additions	Deletions	Balance	Additions	Deletions	
Capital assets non-depreciable:							
Land	\$ 318,634	\$ -	\$ -	\$ 318,634	\$ -	\$ -	\$ 318,634
Easements	12,041	-	-	12,041	-	-	12,041
Construction in Progress	1,392,352	-	1,392,352	-	-	-	-
Total non-depreciable capital assets	1,723,027	-	1,392,352	330,675	-	-	330,675
Capital assets being depreciated:							
Water Plant and Buildings	4,663,069	-	-	4,663,069	146,127	-	4,809,196
Water Lines, Tanks, Wells	17,150,422	2,873,551	-	20,023,973	292,885	-	20,316,858
Roads, Parking Area, Fencing	68,836	-	-	68,836	-	-	68,836
Water Meters and Installation	1,121,859	31,243	-	1,153,102	33,099	-	1,186,201
Miscellaneous Equipment	757,498	17,274	-	774,772	28,584	-	803,356
Office Equipment	189,606	-	-	189,606	-	-	189,606
Total capital assets being depreciated	23,951,290	2,922,068	-	26,873,358	500,695	-	27,374,053
Less accumulated depreciation							
Water Plant and Buildings	1,452,082	120,190	-	1,572,272	121,813	-	1,694,085
Water Lines, Tanks, Wells	6,457,258	490,066	-	6,947,324	537,021	-	7,484,345
Roads, Parking Area, Fencing	52,333	4,838	-	57,171	2,999	-	60,170
Water Meters and Installation	759,033	35,639	-	794,672	36,463	-	831,135
Miscellaneous Equipment	660,729	36,411	-	697,140	28,565	-	725,705
Office Equipment	181,778	2,501	-	184,279	2,451	-	186,730
Total accumulated depreciation	9,563,213	689,645	-	10,252,858	729,312	-	10,982,170
Capital assets, net of depreciation	\$ 16,111,104	\$ 2,232,423	\$ 1,392,352	\$ 16,951,175	\$ (228,617)	\$ -	\$ 16,722,558

**Le-Ax Water District
Athens County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010**

NOTE 4 – DEBT OBLIGATIONS

Debt outstanding at December 31, 2011 and 2010 consisted of the following:

<u>Name</u>	<u>Principal Outstanding 12/31/2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 12/31/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 12/31/2011</u>	<u>Due In One Year</u>
United States Department of Agriculture - USDA	\$ 1,621,658	\$ 1,388,377	\$ -	\$ 3,010,035	\$ 273,965	\$ -	\$ 3,284,000	\$ 51,428
Ohio Water Development Authority - OWDA	537,746	-	62,654	475,092	-	63,906	411,186	65,185
United States Department of Agriculture - USDA	5,910,382	-	109,465	5,800,917	-	114,391	5,686,526	119,539
United States Department of Agriculture - USDA	1,427,730	-	17,476	1,410,254	-	18,219	1,392,035	18,994
Ohio Water Development Authority - OWDA	-	-	-	-	31,407	-	31,407	31,407
TOTALS	\$ 9,497,516	\$ 1,388,377	\$ 189,595	\$ 10,696,298	\$ 305,372	\$ 196,516	\$ 10,805,154	\$ 286,553

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.

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.

**Le-Ax Water District
Athens County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010**

NOTE 4 – DEBT OBLIGATIONS (Continued)

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.

The District entered into a loan agreement with Ohio Water Development Authority (OWDA) on July 28, 2011. There is no interest on the loan. The District owes \$31,407 at December 31, 2011 and intends to repay the entire balance during 2012.

The annual requirements to amortize all bonded debt outstanding including interest as of December 31, 2011 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
2012	\$ 65,185	\$ 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	69,176	4,233	136,413	239,019	21,520	56,635	55,585	82,048
2016	70,558	2,850	142,552	232,880	22,434	55,721	57,044	80,589
2017-2021	71,961	1,447	814,954	1,062,207	127,309	263,426	308,484	379,680
2022-2026	-	-	1,015,581	861,580	156,762	234,013	351,155	337,010
2027-2031	-	-	1,265,598	611,562	193,028	197,747	399,728	288,436
2032-2036	-	-	1,577,167	299,994	237,685	153,090	455,020	233,145
2037-2041	-	-	359,265	16,167	282,672	98,103	517,961	170,204
2042-2046	-	-	-	-	291,188	30,437	589,607	98,558
2047-2049	-	-	-	-	-	-	391,047	20,677
Total	\$ 411,186	\$ 29,264	\$ 5,686,526	\$ 4,074,710	\$ 1,392,035	\$ 1,264,200	\$ 3,284,000	\$ 1,944,877

NOTE 5 – RISK MANAGEMENT

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

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. The District pays an annual premium to the pool for various types of insurance coverage. Members agree to share in the coverage of losses and pay all premiums necessary for the specified insurance coverage. Upon withdrawal from the Pool, a participant is responsible for the payment of all liabilities accruing as a result of withdrawal.

There has been no significant reduction in insurance coverage from 2010, and no insurance settlement has exceeded insurance coverage during the last three years.

**Le-Ax Water District
Athens County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010**

NOTE 6 - PENSION PLAN

Plan Description – The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 Pension 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. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2011, members in state and local classifications contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2011, member and employer contribution rates were consistent across all three plans.

The District's 2011 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5 percent as of December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.23 as of December 31, 2010. Employer contribution rates are actuarially determined. These percentages are the most recent available.

The District's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$108,123, \$107,955, and \$108,548, respectively; 100 percent has been contributed for 2011, 2010 and 2009.

NOTE 7 – POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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 health care plan for 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. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

**Le-Ax Water District
Athens County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010**

NOTE 7 – POSTEMPLOYMENT BENEFITS (Continued)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

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 Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

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. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5 percent as of December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.23 percent as of December 31, 2010. These percentages are the most recent available.

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. Active members do not make contributions to the post-employment health care plan.

The District’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010 and 2009 were \$39,128 and \$54,274, respectively; 100 percent has been contributed for 2010 and 2009. These amounts are the most recent available.

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 on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of net assets through February 22, 2012, the date the financial statements were available to be issued. No events have occurred that would require adjustment or disclosure in the financial statement.

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

February 22, 2012

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

To the Board of Directors:

We have audited the financial statements of the business-type activities of **Le-Ax Water District**, Athens County, Ohio (the District), as of and for the years ended December 31, 2011 and December 31, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 22, 2012. 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 opinions on the financial statements, but not for the purpose of opining 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 a 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, the Board of Directors, and others within the District. It is not intended for anyone other than these specified parties.

Respectfully Submitted,

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

Perry and Associates
Certified Public Accountants, A.C.

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Dave Yost • 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
APRIL 26, 2012**