

RURAL LORAIN COUNTY WATER AUTHORITY

LORAIN COUNTY

Audit Report

For the Years Ended December 31, 2008 and 2007

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Rural Lorain County Water Authority
42401 State Route 303
P.O. Box 567
LaGrange, Ohio 44050

We have reviewed the *Report of Independent Accountants* of the Rural Lorain County Water Authority, Lorain County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Mary Taylor, CPA
Auditor of State

July 20, 2009

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RURAL LORAIN COUNTY WATER AUTHORITY
LORAIN COUNTY
AUDIT REPORT
For the Year Ending December 31, 2008

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REPORT OF INDEPENDENT ACCOUNTANTS

Rural Lorain County Water Authority
Lorain County
42401 State Route 303
LaGrange, Ohio 44050

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities of the Rural Lorain County Water Authority, Lorain County, Ohio, (the Authority), as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority'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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 Rural Lorain County Water Authority, Lorain County, Ohio, as of December 31, 2008 and 2007, and the respective changes in financial position and its 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 June 5, 2009 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Rural Lorain County Water Authority taken as a whole. The accompanying information listed as the supplemental schedule in the table of contents is presented on page 37. Such information has been subjected to auditing procedures applied to the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Charles E. Harris & Associates, Inc.

June 5, 2009

RURAL LORAIN COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2008 and 2007
(Unaudited)

This discussion and analysis, along with the accompanying financial reports of Rural Lorain County Water Authority (RLCWA), is designed to provide our customers, bondholders, creditors and other interested parties with a general overview of the Authority and its financial activities.

FINANCIAL HIGHLIGHTS

The total assets of RLCWA exceeded liabilities by \$25.1 million and \$24.2 million in 2008 and 2007, respectively.

The Authority's net assets increased by \$912 thousand (3.8%) and \$1.4 million (6.3%) in 2008 and 2007, respectively.

The Authority's Operating Revenues increased by \$27 thousand (0.2%) and \$916 thousand (8.7%) with Operating Expenses increasing \$311 thousand (4.4%) and \$729 thousand (11.6%) in 2008 and 2007, respectively.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The Authority is a single fund using proprietary fund accounting, similar to private sector business. The Authority is described in Note 1, Summary of Significant Accounting Policies, on page fourteen (14). The Basic Financial Statements are presented using the accrual basis of accounting as further described in the above-mentioned note.

The **Statement of Net Assets** includes all of the Authority's Assets and Liabilities. This statement provides information about the nature and amounts of investments in resources (assets) owned by the Authority, and obligations owed by the Authority (liabilities) on December 31. The Authority's net assets (equity) are the difference between assets and liabilities.

The **Statement of Revenues, Expenses, and Changes in Net Assets** provides information on the Authority's operations over the past year and the revenue collected from user fees, charges and late fees, and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statement of Cash Flows** provides information about the Authority's cash receipts and cash disbursements from operations, investing and financing activities. The statement summarizes where the cash was provided, cash uses, and changes in the balances during the year.

RURAL LORAIN COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2008 and 2007
(Unaudited)

NET ASSETS

Table 1 summarizes the Net Assets of the Authority. Capital Assets are reported less accumulated depreciation. Invested in Capital Assets, Net of Debt, are capital assets less outstanding debt used to acquire those assets.

TABLE 1

	2008	2007	2006	2008 vs 2007		2007 vs 2006	
				Dollar Change	Percent Change	Dollar Change	Percent Change
Current and other assets	\$ 16,240,607	\$ 16,754,370	\$ 18,357,224	\$ (513,763)	-3.1%	(1,602,854)	-8.7%
Capital assets	32,814,979	32,644,561	31,450,380	170,418	0.5%	1,194,181	3.8%
Total assets	49,055,586	49,398,931	49,807,604	(343,345)	-0.7%	(408,673)	-0.8%
Long-term liabilities	20,922,677	22,399,391	23,814,665	(1,476,714)	-6.6%	(1,415,274)	-5.9%
Other liabilities	3,045,666	2,824,392	3,252,316	221,274	7.8%	(427,924)	-13.2%
Total liabilities	23,968,343	25,223,783	27,066,981	(1,255,440)	-5.0%	(1,843,198)	-6.8%
Invested in capital assets, net of related debt	10,415,588	8,831,466	11,729,860	1,584,122	17.9%	(2,898,394)	-24.7%
Restricted	5,688,378	4,885,112	4,468,935	803,266	16.4%	416,177	9.3%
Unrestricted	8,983,277	10,458,570	6,541,828	(1,475,293)	-14.1%	3,916,742	59.9%
Total Net Assets	\$ 25,087,243	\$ 24,175,148	\$ 22,740,623	\$ 912,095	3.8%	\$ 1,434,525	6.3%

The Authority's Net Assets increased \$912 thousand (3.8%) and \$1.43 million (6.3%) in 2008 and 2007, respectively. These increases are a result of excess revenues over expenses.

The Authority decreased long-term liabilities in 2008 and 2007 by \$1.48 million and \$1.42 million, respectively, from the payment of long-term notes.

RURAL LORAIN COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2008 and 2007

(Unaudited)

STATEMENT OF REVENUES AND EXPENSES (CHANGES IN NET ASSETS)

Table 2 summarizes the changes in Revenues and Expenses and the resulting change in Net Assets.

TABLE 2

	2008	2007	2006	2008 vs 2007		2007 vs 2006	
				Dollar Change	Percent Change	Dollar Change	Percent Change
Operating revenue	\$ 11,505,191	\$ 11,478,094	\$ 10,562,343	\$ 27,097	0.2%	\$ 915,751	8.7%
Operating expenses	7,345,114	7,033,694	6,304,940	311,420	4.4%	728,754	11.6%
Maintenance expenses	626,716	755,105	336,371	(128,389)	-17.0%	418,734	124.5%
Depreciation expenses	1,782,597	1,715,547	1,680,341	67,050	3.9%	35,206	2.1%
Total expenses	9,754,427	9,504,346	8,321,652	250,081	2.6%	1,182,694	14.2%
Operating income	1,750,764	1,973,748	2,240,691	(222,984)	-11.3%	(266,943)	-11.9%
Nonoperating revenue	497,643	835,092	770,381	(337,449)	-40.4%	64,711	8.4%
Nonoperating expenses	(1,336,312)	(1,374,315)	(1,373,494)	38,003	-2.8%	(821)	0.1%
Nonoperating loss	(838,669)	(539,223)	(603,113)	(299,446)	55.5%	63,890	-10.6%
Change in net assets	912,095	1,434,525	1,637,578	(522,430)	-36.4%	(203,053)	-12.4%
Beginning net assets	24,175,148	22,740,623	21,103,045	1,434,525	6.3%	1,637,578	7.8%
Ending net assets	\$ 25,087,243	\$ 24,175,148	\$ 22,740,623	\$ 912,095	3.8%	\$ 1,434,525	6.3%

Total operating revenues increased \$27 thousand (0.2%) and \$916 thousand (8.7%) in 2008 and 2007, respectively. Investment income decreased by \$214 thousand (-49.1%) and unrealized loss on investments by \$80 thousand (-134.3%) and loss on disposal of assets by \$48 thousand (-234.6%) resulting in the majority of the decrease of \$337 thousand (-40.4%) in non-operating revenues for 2008.

Operations and maintenance expenses increased \$183 thousand (2.3%) and increased \$1.1 million (16.6%) in 2008 and 2007, respectively. The increase in all components of wages and an increase in water purchased accounted for the majority of the increase in operating and maintenance costs in 2008. One retirement, the painting of a water tank, and an increase in water purchased accounted for the majority of the increase in operating and maintenance costs in 2007.

RURAL LORAIN COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2008 and 2007
(Unaudited)

CAPITAL ASSETS

The Authority had \$60.78 and \$59.43 million invested in capital assets (before depreciation) at December 31, 2008 and 2007, respectively, as shown in Table 3. This amount is an increase of \$1.35 million (2.3%) and \$2.68 million (4.7%) from the previous year.

TABLE 3

	2008	2007	2006	2008 vs 2007		2007 vs 2006	
				Dollar Change	Percent Change	Dollar Change	Percent Change
Land and easements	\$ 538,069	\$ 537,069	\$ 536,069	\$ 1,000	0.2%	\$ 1,000	0.2%
Buildings	2,312,021	2,276,703	2,194,798	35,318	1.6%	81,905	3.7%
Tanks, stations, and lines	52,931,413	51,865,492	48,335,233	1,065,921	2.1%	3,530,259	7.3%
Meters and replacements	1,549,071	1,494,145	1,444,824	54,926	3.7%	49,321	3.4%
Furniture and fixtures	1,407,172	1,348,174	1,311,015	58,998	4.4%	37,159	2.8%
Machinery, equipment, and vehicles	1,788,343	1,815,730	1,736,849	(27,387)	-1.5%	78,881	4.5%
Construction in progress	256,699	92,916	1,188,485	163,783	176.3%	(1,095,569)	-92.2%
Total before depreciation	60,782,788	59,430,229	56,747,273	1,352,559	2.3%	2,682,956	4.7%
Accumulated depreciation	(27,967,809)	(26,785,668)	(25,296,893)	(1,182,141)		(1,488,775)	
Total capital assets, net	\$ 32,814,979	\$ 32,644,561	\$ 31,450,380	\$ 170,418		\$ 1,194,181	

The increase in capital assets from 2007 to 2008 was from line extensions, line replacement and relocation of lines, meter replacements, generators, the geographical information system's (GIS) computers, printer, and monitors, website design, hydraulic model program, two trucks, a truck cab, a mini excavator, and distribution equipment and tools.

The increase in capital assets from 2006 to 2007 was from line extensions, line replacement and relocation of lines, meter replacements, new parking lot and landscaping, carpet, the geographical information system's (GIS) computer, printer, equipment, and software, a computer upgrade, two trucks, a backhoe, a mobile generator, and distribution equipment tools.

RURAL LORAIN COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2008 and 2007
(Unaudited)

DEBT

Table 4 summarizes the Authority's long-term debt. The Authority issues long-term revenue bonds to finance much of its construction.

TABLE 4

	2008	2007	2006	2008 vs 2007		2007 vs 2006	
				Dollar	Percent	Dollar	Percent
				Change	Change	Change	Change
Long-term debt:							
1999 Revenue bonds	\$ 310,000	\$ 605,000	\$ 890,000	\$ (295,000)	-48.8%	\$ (285,000)	-32.0%
2003 Revenue bonds	10,180,000	11,170,000	12,145,000	(990,000)	-8.9%	(975,000)	-8.0%
2006 Revenue bonds	9,065,000	9,090,000	9,110,000	(25,000)	-0.3%	(20,000)	-0.2%
First Merit Bank Note	1,415,391	1,503,095	1,582,063	(87,704)	-5.8%	(78,968)	-0.2%
Rural development bond	1,429,000	1,445,000	1,460,000	(16,000)	-1.1%	(15,000)	-1.0%
Total long-term debt	22,399,391	23,813,095	25,187,063	(1,413,704)	-5.9%	(1,373,968)	-5.5%
Less: current maturities	(1,476,714)	(1,413,704)	(1,372,398)	(63,010)	4.5%	(41,306)	3.0%
Net total long-term debt	<u>\$ 20,922,677</u>	<u>\$ 22,399,391</u>	<u>\$ 23,814,665</u>	<u>\$ (1,476,714)</u>	<u>-6.6%</u>	<u>\$ (1,415,274)</u>	<u>-5.9%</u>

See Note 4 of the financial statements for details of issuance and retirement of debt in 2008.

The Bond Reserve Fund and Bond Fund were established for payment of bond service charges and cancellation or redemption of bonds. The Bond Reserve Fund had a balance of \$2,430,682 and \$2,465,581 and the Bond Fund had a balance of \$3,257,696 and \$2,419,532 at December 31, 2008 and 2007, respectively. See Note 2 of the financial statements for more details on the bond reserve funds.

RURAL LORAIN COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2008 and 2007
(Unaudited)

DEBT COVERAGE

Table 5 reflects the ability of the Authority to pay both interest and the current principal installments on its outstanding debt.

TABLE 5

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating revenues	\$ 11,505,191	\$ 11,478,094	\$ 10,562,343
Non-operating revenue - Interest	221,641	435,462	440,481
Total revenues	<u>11,726,832</u>	<u>11,913,556</u>	<u>11,002,824</u>
Less: Operations and maintenance expenses	<u>(7,971,830)</u>	<u>(7,788,799)</u>	<u>(6,641,311)</u>
Total revenues available for debt	<u>\$ 3,755,002</u>	<u>\$ 4,124,757</u>	<u>\$ 4,361,513</u>
Revenue bond debt service - 1999, 2003, and 2006	\$ 2,218,579	\$ 2,215,006	\$ 2,221,659
Revenue bond debt service - Rural development	242,053	268,392	278,101
Total debt service requirements	<u>\$ 2,460,632</u>	<u>\$ 2,483,398</u>	<u>\$ 2,499,760</u>
Combined coverage ratio - All debt	1.53	1.66	1.74

The Authority is required to meet a revenue-to-debt ratio of 1.20 for its 1999, 2003 and 2006 revenue bonds and a 1.00 ratio for rural development bonds.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to the General Manager of the Rural Lorain County Water Authority, 42401 Route 303, P.O. Box 567, LaGrange, Ohio 44050.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF NET ASSETS

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents:		
General	\$ 126,854	\$ 496,728
Working capital	1,400,380	492,958
Capital improvements	453,620	1,633,042
Receivables: (Note 1)		
Trade (net of allowance for doubtful accounts of \$58,080 in 2008 and \$24,500 in 2007)	771,566	714,775
Other	23,877	19,804
Interest	4,216	22,497
Inventory (Note 1)	417,926	322,685
Prepaid expenses (Note 1)	63,176	56,798
Total current assets	<u>3,261,615</u>	<u>3,759,287</u>
NON-CURRENT ASSETS:		
Restricted cash and investments: (Note 2)	6,678,407	6,447,451
Investment in joint venture (Note 9)	5,175,821	5,331,082
Deferred debt issue costs (Note 1)	1,124,764	1,216,550
Total non-current assets	<u>12,978,992</u>	<u>12,995,083</u>
CAPITAL ASSETS, AT COST: (Note 1)		
Less: Accumulated depreciation	60,526,089	59,337,313
	<u>27,967,809</u>	<u>26,785,668</u>
	32,558,280	32,551,645
Current construction	256,699	92,916
	<u>32,814,979</u>	<u>32,644,561</u>
TOTAL ASSETS	<u>\$ 49,055,586</u>	<u>\$ 49,398,931</u>

The accompanying notes are an integral part of the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF NET ASSETS

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 1,476,714	\$ 1,413,704
Accounts payable	381,194	457,032
Taxes payable	46,598	36,377
Compensated absences payable (Note 1)	518,420	412,196
Deposits	97,650	100,460
Accrued expenses:		
Retirement incentive plan	215,612	19,308
Wages	14,744	68,667
Interest	<u>294,734</u>	<u>316,648</u>
Total current liabilities	3,045,666	2,824,392
 LONG-TERM DEBT: (Note 4)		
Bonds and notes payable:		
2006 Series	9,065,000	9,090,000
2003 Series	10,180,000	11,170,000
1999 Series	310,000	605,000
Notes payable	1,415,391	1,503,095
USDA	<u>1,429,000</u>	<u>1,445,000</u>
	22,399,391	23,813,095
Less: Current portion	<u>1,476,714</u>	<u>1,413,704</u>
	<u>20,922,677</u>	<u>22,399,391</u>
Total liabilities	23,968,343	25,223,783
 NET ASSETS		
Invested in capital assets, net of related debt	10,415,588	8,831,466
Restricted for debt service	5,688,378	4,885,112
Unrestricted	<u>8,983,277</u>	<u>10,458,570</u>
TOTAL NET ASSETS	<u>\$ 25,087,243</u>	<u>\$ 24,175,148</u>

The accompanying notes are an integral part of the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended December 31, 2008 and 2007

	2008	2007
OPERATING REVENUE:		
Water sales	\$ 11,093,301	\$ 10,789,818
Tap fees	411,890	688,276
	11,505,191	11,478,094
 OPERATING EXPENSES	 9,754,427	 9,504,346
 INCOME FROM OPERATIONS	 1,750,764	 1,973,748
NONOPERATING REVENUES:		
Penalty income	136,278	130,311
Miscellaneous	102,399	101,985
Miscellaneous subdivision income	10,127	31,533
Water line reimbursements	74,449	55,253
Discounts earned	834	341
Investment income	221,641	435,462
Unrealized gain (loss) on investments	(20,483)	59,707
Gain (loss) on disposal of assets	(27,602)	20,500
	497,643	835,092
	2,248,407	2,808,840
NONOPERATING EXPENSES:		
Interest expense	1,047,780	1,110,401
Change in value of investment in joint venture	155,261	155,261
Bad debts	41,485	16,867
Bond premium amortization	91,786	91,786
	1,336,312	1,374,315
 CHANGES IN NET ASSETS	 912,095	 1,434,525
 BEGINNING NET ASSETS	 24,175,148	 22,740,623
 ENDING NET ASSETS	 \$ 25,087,243	 \$ 24,175,148

The accompanying notes are an integral part of the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 11,462,608	\$ 11,539,695
Cash payments to suppliers for goods and services	(5,224,462)	(5,524,062)
Cash payments to employees and professional contractors for services and benefits	<u>(2,710,294)</u>	<u>(2,716,293)</u>
Net cash provided by operating activities	3,527,852	3,299,340
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment and current construction	(1,998,027)	(2,929,528)
Proceeds from sale of equipment	17,410	20,500
Repayment of 1999 Series Bonds	(295,000)	(285,000)
Repayment of 2003 Series Bonds	(990,000)	(975,000)
Repayment of 2006 Series Bonds	(25,000)	(20,000)
Repayment of notes payable	(103,704)	(93,968)
Interest paid on bonds	<u>(1,069,694)</u>	<u>(1,125,792)</u>
Net cash used in capital and related financing activities	(4,464,015)	(5,408,788)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	<u>201,158</u>	<u>495,169</u>
Net cash provided by investing activities	201,158	495,169
 CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Other non-operating activities	<u>324,087</u>	<u>319,423</u>
Net cash provided by non-capital activities	<u>324,087</u>	<u>319,423</u>

The accompanying notes are an integral part of the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2008 and 2007

	2008	2007
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (410,918)	\$ (1,294,856)
CASH AND CASH EQUIVALENTS - Beginning of year	9,070,179	10,365,035
CASH AND CASH EQUIVALENTS - End of year	\$ 8,659,261	\$ 9,070,179
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Income from operations	\$ 1,750,764	\$ 1,973,748
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,782,597	1,715,547
Bond premium amortization	(91,786)	(91,786)
Bad debts	(41,485)	(16,867)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(42,583)	61,601
Inventory	(95,241)	16,378
Prepaid expenses	(6,378)	2,773
Deferred debt issue costs	91,786	91,785
Increase (decrease) in:		
Accounts payable	(75,838)	(412,232)
Taxes payable	10,221	4,439
Compensated absences payable	106,224	26,710
Advanced deposits	(2,810)	(73,650)
Accrued expenses	142,381	894
Net cash provided by operating activities	\$ 3,527,852	\$ 3,299,340

The accompanying notes are an integral part of the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 1. Summary of Significant Accounting Policies:

The Rural Lorain County Water Authority, a regional water district, is a political subdivision of the State of Ohio created by order of the Lorain County Common Pleas Court. The Authority was created by the court on August 23, 1973, to be a duly organized regional water district, a political subdivision of the State of Ohio organized pursuant to Chapter 6119 of the Ohio Revised Code. The Authority was organized as a nonprofit corporation for the purpose of providing a water supply for domestic, industrial, and public use to users within and without the district. The Authority is exempt from federal income tax. The Authority operates under a Board of Trustees, which consists of as many members as equals the total number of villages and townships within this regional water district. The following is a summary of significant accounting policies:

A. Introduction:

The significant accounting policies followed in the preparation of these financial statements conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Under the guidelines of GASB Statement No. 20, the Authority has elected not to apply Financial Accounting Standards Board Statements (FASB) and Interpretations issued after November 30, 1989 to its proprietary activities. Proprietary funds apply FASB pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

B. Basis of Accounting:

The Rural Lorain County Water Authority prepares its financial statements on an accrual basis. By virtue of its by-laws, the Authority is required to make appropriations in accordance with budgetary policies.

C. Investments:

Investment procedures are restricted by the Provisions of the Ohio Revised Code. Short-term investments consist of certificates of deposit, U.S. Government Income Funds, or U.S. Treasury Funds. Long-term investments consist of U.S. Treasury Bonds and Notes. Investments are reported at fair value which is based on quoted market prices.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 1. Summary of Significant Accounting Policies (Continued):

D. Budgetary Process:

Budget - Thirty days before the end of each fiscal year a proposed budget of estimated revenues and expenditures for the succeeding fiscal year is submitted to the Board of Trustees by the General Manager. The Board may amend said budget as it deems proper. The Board of Trustees then approves the budget in its original or amended form.

Appropriations - After the budget is approved by the Board, the Board then makes appropriations of funds in accordance with said budget. Thereafter, the General Manager has the authority to authorize payment of any disbursement not to exceed \$25,000, provided there are sufficient funds appropriated and remaining in the account of the fund from which payment will be made. The Board may, from time-to-time, amend or supplement said appropriation of funds and may also transfer any part of an unencumbered balance of an appropriation of any fund to any purpose or object for which the appropriation for the current fiscal year has proved insufficient. During the year, supplemental appropriations were authorized; however, none of these amendments are significant.

E. Inventory:

Inventory, which consists of raw materials, is stated at the lower of cost or market. In general, cost as applied to inventory valuation represents a moving average method whereby the cost per unit is recomputed after every addition to the inventory.

F. Capital Assets:

The minimum capitalization threshold is any individual item with a total cost of greater than \$750 and a useful life of more than one year. Capital assets including major renewals or betterments are capitalized and stated at historical cost. Depreciation is provided on the straight-line method based on the estimated useful lives of the various classes of assets.

The ranges of estimated useful lives used in computing depreciation are as follows:

Water Lines and Water Tanks	40 Years
Pump Stations	20 Years
Buildings and Building Improvements	4-20 Years
Machinery, Equipment, and Office Furniture	3-10 Years

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 1. Summary of Significant Accounting Policies (Continued):

F. Capital Assets (Continued):

Fully depreciated assets still in active use are included in the gross amount of capital assets, and the related allowance for depreciation is included as part of the total accumulated allowance for depreciation.

The Authority, by action of its Board, has adopted the policy of capitalizing meter replacement costs over a ten-year period with one-half year of depreciation being taken in the year of replacement. In 1992 and prior years, the Authority expensed all replacement meters at the time of installation.

Maintenance, repairs, and minor renewals are charged against earnings when incurred.

Depreciation expense for the years ended December 31, 2008 and 2007, was \$1,782,598 and \$1,713,447, respectively.

A summary of changes in capital assets for the year ended December 31, 2008, is as follows:

	Balance December 31, 2007	Additions	Deletions	Balance December 31, 2008
Land and easements	\$ 537,069	\$ 1,000	\$ -0-	\$ 538,069
Buildings	2,276,703	45,159	(9,841)	2,312,021
Tanks, stations, and lines	51,865,492	1,487,703	(421,782)	52,931,413
Meters and replacements	1,494,145	54,926	-0-	1,549,071
Furniture and fixtures	1,348,174	92,327	(33,329)	1,407,172
Machinery, equipment, and vehicles	1,815,730	152,464	(179,851)	1,788,343
Current construction lines	92,916	163,783	-0-	256,699
	59,430,229	1,997,362	(644,803)	60,782,788
Less accumulated depreciaton				
Buildings	(1,113,056)	(106,090)	9,841	(1,209,305)
Tanks, stations, and lines	(22,166,891)	(1,337,557)	377,535	(23,126,913)
Meters and replacements	(1,219,477)	(51,606)	-0-	(1,271,083)
Furniture and fixtures	(824,591)	(123,317)	33,230	(914,678)
Machinery, equipment, and vehicles	(1,461,653)	(164,028)	179,851	(1,445,830)
Total accumulated depreciation	(26,785,668)	(1,782,598)	600,457	(27,967,809)
Net capital assets	\$ 32,644,561	\$ 214,764	\$ (44,346)	\$ 32,814,979

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 1. Summary of Significant Accounting Policies (Continued):

F. Capital Assets (Continued):

A summary of changes in capital assets for the year ended December 31, 2007, is as follows:

	Balance December 31, 2006	Additions	Deletions	Balance December 31, 2007
Land and easements	\$ 536,069	\$ 1,000	\$ -0-	\$ 537,069
Buildings	2,194,798	119,170	(37,265)	2,276,703
Tanks, stations, and lines	48,335,233	3,530,259	-0-	51,865,492
Meters and replacements	1,444,824	49,321	-0-	1,494,145
Furniture and fixtures	1,311,015	94,224	(57,065)	1,348,174
Machinery, equipment, and vehicles	1,736,849	209,223	(130,342)	1,815,730
Current construction lines	1,188,485	-0-	(1,095,569)	92,916
	56,747,273	4,003,197	(1,320,241)	59,430,229
Less accumulated depreciaton				
Buildings	(1,052,892)	(97,429)	37,265	(1,113,056)
Tanks, stations, and lines	(20,896,968)	(1,269,923)	-0-	(22,166,891)
Meters and replacements	(1,160,833)	(58,644)	-0-	(1,219,477)
Furniture and fixtures	(769,165)	(112,491)	57,065	(824,591)
Machinery, equipment, and vehicles	(1,417,035)	(174,960)	130,342	(1,461,653)
Total accumulated depreciation	(25,296,893)	(1,713,447)	224,672	(26,785,668)
Net capital assets	\$ 31,450,380	\$ 2,289,750	\$ (1,095,569)	\$ 32,644,561

G. Prepaid Expenses:

Prepaid expenses are expensed over their economic useful lives.

H. Deferred Debt Issue Costs:

Bond issue costs are capitalized and amortized over the various terms of the 1993, 2003, and 2006 bonds using the straight-line method. Amortization expense for the years ended December 31, 2008 and 2007 was \$91,786 and \$91,786, respectively.

I. Tap Fees:

To receive service, customers are required to pay a tap fee that varies depending on when the deposit was made and the size of the meter. Fees are refundable in the event expansion does not occur in an area.

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 1. Summary of Significant Accounting Policies (Continued):

J. Compensated Absences Payable:

Employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Authority. After one year of service, employees are entitled to all accrued vacation leave upon termination.

Sick leave accumulates to employees at a rate of 4.6 hours for every 80 hours of service. Upon retirement, employees are entitled to 100% of their accumulated sick leave balance at the rate of pay at time of retirement if an employee was hired before December 31, 2000. If an employee is hired on or after January 1, 2001, and retires, their accumulated sick leave is paid out at the rate of pay that it was accrued. In the event of the employee's death, 100% of their accumulated sick leave balance would be paid to the employee's life insurance beneficiary. The employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses, years of service at retirement, or death. A liability for unused sick leave is not recorded in the financial statements unless the employee has accumulated sick leave after becoming eligible for retirement, which would be payable in its entirety. The unrecorded estimated unused sick leave for the years ended December 31, 2008 and 2007 was \$368,797 and \$423,011, respectively; the recorded estimated unused sick leave and vacation for the years ended December 31, 2008 and 2007 reflected in the compensated absences payable amount on page 10 was \$518,420 and \$412,196, respectively.

K. Statements of Cash Flows:

For the purposes of the Statements of Cash Flows, all liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered cash equivalents. Because the Authority, at its option, can withdraw amounts within a three month time period on the 5-year Treasury Bills, the Treasury Bills are considered to be cash equivalents. Cash and cash equivalents as of December 31, 2008 and 2007, consist of:

	<u>2008</u>	<u>2007</u>
Cash:		
General	\$ 126,854	\$ 496,728
Working capital	1,400,380	492,958
Capital improvements	453,620	1,633,042
Restricted cash and investments	<u>6,678,407</u>	<u>6,447,451</u>
	<u>\$8,659,261</u>	<u>\$9,070,179</u>

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 1. Summary of Significant Accounting Policies (Continued):

L. Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

M. Receivables:

The Authority considers receivables to be collectible with an allowance for doubtful accounts that is based on past amounts of uncollectible accounts.

N. Net Assets:

The Authority has restricted net assets to be used to fund future debt service requirements. None of the Authority's restricted net assets of \$5,688,378 were restricted by enabling legislation.

Note 2. Description of Funds:

A. Revenue Fund:

This fund receives all revenues from operations, and it is maintained in the custody of the Authority, separate and distinct from all other funds of the Authority. With the exception of investment income on funds other than the Revenue Fund, all revenue shall be deposited in the Revenue Fund. Expenditures from this fund are limited to all reasonable and proper expenses of operating, repairing, and maintaining the system, excluding depreciation and capital replacements. Also, required payments are made into the remaining funds from this fund.

B. Bond Reserve Fund:

This fund shall be maintained in the custody of the Trustee as a trust fund and shall be used solely for the payment of bond service charges on the bonds, and to the extent provided herein, by purchase for cancellation or redemption of bonds. Payment shall be made by the Authority on or before the 20th of each month to fund this account until the balance exceeds one year's bond requirements. This fund was fully funded at the time bonds were issued.

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 2. Description of Funds (Continued):

C. Bond Fund:

This fund is maintained in the custody of the Trustee as a trust fund and is used solely for the payment of bond service charges provided herein, by purchase for cancellation or redemption of bonds. The Authority is required by bond agreement to make monthly payments to the fund for interest and redemption payments on or before the 20th of each month.

D. Replacement and Improvement Fund:

This fund is maintained in the custody of the Trustee as a trust fund separate and distinct from all other funds of the Authority. The monies held in the Replacement and Improvement Fund are transferred to the Bond Fund, to the extent necessary from time-to-time, after applying to that purpose any monies then in the System Reserve Fund, to permit the payment of all obligations payable from the Bond Fund without drawing on the Bond Reserve Fund and, otherwise, shall be used solely to replace obsolete or worn-out equipment or to make improvements to the system, or, with funds in the Bond Fund and Bond Reserve Fund and other funds made available by the Authority, to retire by purchase or by call all or part of the Bonds from time-to-time outstanding. The Authority may borrow from this fund for any improvements unless it is in default of its bonds obligations.

E. Project/Administration Fund:

This fund is maintained in the custody of the Trustee as a separate account and monies in the fund will be used for expansion and capital additions to the water system.

The fund had a balance of \$-0- and \$77,803 as of December 31, 2008 and 2007, respectively.

F. System Reserve Fund (Capital Improvements):

This fund is maintained in the custody of the Authority as a trust fund separate and distinct from all other funds of the Authority. The monies held in the System Reserve Fund shall be transferred to the Bond Fund, to the extent necessary from time-to-time, to permit the payment of all obligations payable from the Bond Fund without drawing upon the Replacement and Improvement Fund or Bond Reserve Fund, or may be transferred to the appropriate fund of the Authority to permit the payment of principal and interest on any general obligation bonds, or notes issued in anticipation thereof, issued by the Authority to pay costs of improvements to the system, and otherwise may be used for any other lawful system purpose, including without limitation, the retirement of outstanding bonds by call for redemption or by purchase for cancellation.

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 2. Description of Funds (Continued):

G. Employee Policy Fund:

This fund is maintained in the custody of the Authority as a separate account. Payments of \$10,000 are made each month. Monies in this fund will be used for employees entitled to 100% of their accumulated sick leave balance after becoming eligible for retirement.

H. Restricted Cash and Investments:

	<u>2008</u>	<u>2007</u>
Bond reserve fund	\$2,430,682	\$2,465,581
Bond fund	3,257,696	2,419,532
Replacement and improvement fund	784,046	791,686
Project/Administration fund	-0-	77,803
Employee policy fund	<u>205,983</u>	<u>692,849</u>
	<u>\$6,678,407</u>	<u>\$6,447,451</u>

Note 3. Equity in Pooled Cash and Investment:

The Rural Lorain County Water Authority maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the balance sheet as cash.

A. Legal Requirements:

Active deposits are public deposits necessary to meet current demands on the Treasury. Such monies must be maintained either as cash in the Authority 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 Board of Trustees 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.

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 3. Equity in Pooled Cash and Investment (Continued):

A. Legal Requirements (Continued):

Interim deposits represent interim 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. Interim monies can be deposited or invested in the following securities:

1. 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 State;
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;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-loan money market mutual funds consisting exclusively of obligations described in items (1) and (2) of this footnote 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 (STAR Ohio);

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 3. Equity in Pooled Cash and Investment (Continued):

A. Legal Requirements (Continued):

8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's average portfolio.

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Authority by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 a debt of the Authority, 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 Authority or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

B. Deposits:

Custodial credit risk for deposits is the risk that in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party.

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 3. Equity in Pooled Cash and Investment (Continued):

B. Deposits (Continued):

Based on the criteria described in GASB Statement No. 40, “*Deposits and Investment Risk Disclosures*,” as of December 31, 2008 and 2007, \$750,000 and \$300,000 of the Authority’s bank balances of \$2,387,233 and \$2,776,968 were covered by federal depository insurance. The remaining balances were covered by specific securities held by the pledging financial institution’s trust department in the Authority’s name. Although all State statutory requirements for the deposit of money have been followed, non-compliance with federal requirements could potentially subject the Authority to a successful claim by the FDIC.

The Authority has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Authority or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

C. Investments:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2008 the Authority had the following investments:

Investment Type	Fair Value	% of Total	Maturities (in Years)	
			Less than 1	1 - 5
Federal Home Loan Banks	\$ 207,013	3.2%	\$ 207,013	\$ 0
Federal Home Loan Banks Discount Notes	239,275	3.7%	239,275	0
Federal Home Loan Mortgage Association	153,463	2.4%	153,463	0
Federal Home Loan Mortgage Discount Notes	374,713	5.8%	374,713	0
Federal National Mortgage Association Discount Notes	250,000	3.9%	250,000	0
First American Treasury Obligation	43,808	0.7%	43,808	0
Federal Farm Credit Banks	102,434	1.6%	102,434	0
Federated Treasury Obligation Fund	4,308,164	66.5%	4,308,164	0
U.S. Treasury Funds, Bonds, and Notes	793,554	12.2%	793,554	0
	<u>\$ 6,472,424</u>			

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 3. Equity in Pooled Cash and Investment (Continued):

C. Investments (Continued):

As of December 31, 2007, the Authority had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>	<u>Maturities (in Years)</u>	
			<u>Less than 1</u>	<u>1 - 5</u>
Federal Home Loan Banks	\$ 462,545	7.3%	\$ 255,563	\$ 206,982
Federal Home Loan Mortgage Association	153,183	2.4%	0	153,183
Federal Home Loan Mortgage Discount Notes	269,142	4.3%	269,142	0
Federal National Mortgage Association	304,153	4.8%	304,153	0
First American Treasury Obligation	65,482	1.0%	65,482	0
Federal Farm Credit Banks	102,997	1.6%	0	102,997
Federated Treasury Obligation Fund	3,315,067	52.5%	3,315,067	0
U.S. Treasury Funds, Bonds, and Notes	1,647,849	26.1%	1,647,849	0
	<u>\$ 6,320,418</u>			

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. It is the Authority’s policy to hold instruments to maturity, limiting any investment to a maximum of five years. The targeted weighted average days to maturity for the overall Authority portfolio is not more than two years. In addition, Ohio law prescribes that all Authority investments mature within five years of purchase, unless the investment is matched to a specific obligation or debt of the Authority.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2008, the Authority’s investment in U.S. instrumentalities (Federal Home Loan Mortgage Association and Discount Notes, Federal National Mortgage Association Discount Notes, Federal Farm Credit Banks, Federal Home Loan Banks and Discount Notes) were all rated AAA by Standard and Poor’s and Aaa by Moody’s Investors Service. As of December 31, 2007, the Authority’s investment in U.S. instrumentalities (Federal Home Loan Mortgage Association and Discount Notes, Federal Home Loan Banks, Federal National Mortgage Association, Federal Farm Credit Banks, Federal Home Loan Banks) were all rated AAA by Standard and Poor’s and Aaa by Moody’s Investors Service.

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 3. Equity in Pooled Cash and Investment (Continued):

C. Investments (Continued):

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the requirements of State Law, it is the policy of the Authority to require full collateralization of all investments other than obligations of the U.S. Government, its agencies and instrumentalities. The Authority’s investment in U.S. agencies with fair values totaling \$1,370,706 has maturities of \$1,370,706 in less than one year for the year ended December 31, 2008. The Authority’s investment in U.S. agencies with fair values totaling \$1,357,502 has maturities of \$894,340 in less than one year and \$463,162 within five years for the year ended December 31, 2007. U.S. agencies are held in the account of U.S. Bank (“Trustee”), at the Federal Reserve Bank of Boston, Massachusetts. The Authority’s securities associated with the principal and interest payment of bond proceeds in the amount of \$5,101,718 and \$4,962,916, for 2008 and 2007, respectively, are held in the account of First Merit. Assets held by the Trustee as a custodial agent are considered legally separate from the other assets of the Trustee.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Authority’s investment policy provides that investments be diversified to reduce the risk of loss from over concentration in a single issuer, but does not identify specific limits on the amounts that may be so invested. More than five percent of the Authority’s investments are in Federal Home Loan Mortgage Discount Notes, Federated Treasury Obligation Fund, and U.S. Treasury Funds.

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 4. Long-Term Debt:

A summary of long-term debt for the year ended December 31, 2008, is as follows:

<u>Description</u>	<u>Balance December 31, 2007</u>	<u>Borrowed</u>	<u>Repaid</u>	<u>Balance December 31, 2008</u>	<u>Due Within One Year</u>
\$310,000 Water Resource Revenue Refunding Bonds, Series 1999 originally issued with interest rates ranging from 5.00% to 5.10% with a final maturity date of October 2009.	\$ 605,000	\$ -0-	\$ 295,000	\$ 310,000	\$ 310,000
A note payable in the amount of \$1,415,391 is due to FirstMerit Bank, N.A. and Trust. The note requires annual principal and interest payments at the One-Year U.S. Treasury Security Index plus 2.12% with a maturity date of September 2019. The note is guaranteed by the United States Department of Agriculture (USDA).	1,503,095	-0-	87,704	1,415,391	105,714
A Water Resource Improvement Revenue Bond, Series 2003A in the amount of \$1,429,000 is due to the USDA. The bond requires annual principal and interest payments at an annual interest rate of 4.875% with a maturity date of February 2043.	1,445,000	-0-	16,000	1,429,000	16,000
A Water Resource Improvement Revenue Bond, Series 2003B is due in the amount of \$11,170,000. The Bond requires annual principal and interest payments with interest rates ranging from 1.5% to 4.4% with a final maturity date of October 2018.	11,170,000	-0-	990,000	10,180,000	1,020,000
A Water Resource Improvement Revenue Bonds, Series 2006 is due in the amount of \$9,090,000. The Bond requires annual principal and interest payments with interest rates ranging from 3.75% to 5.00% with a final maturity date of October 2031.	9,090,000	-0-	25,000	9,065,000	25,000
	<u>\$ 23,813,095</u>	<u>\$ -0-</u>	<u>\$1,413,704</u>	<u>\$ 22,399,391</u>	<u>\$ 1,476,714</u>

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 4. Long-Term Debt (Continued):

A summary of long-term debt for the year ended December 31, 2007, is as follows:

Description	Balance December 31, 2006	Borrowed	Repaid	Balance December 31, 2007	Due Within One Year
\$605,000 Water Resource Revenue Refunding Bonds, Series 1999 originally issued with interest rates ranging from 4.000% to 5.875% with a final maturity date of October 2009.	\$ 890,000	\$ -0-	\$ 285,000	\$ 605,000	\$ 295,000
A note payable in the amount of \$1,503,095 is due to FirstMerit Bank, N.A. and Trust. The note requires annual principal and interest payments at the One-Year U.S. Treasury Security Index plus 2.12% with a maturity date of September 2019. The note is guaranteed by the United States Department of Agriculture (USDA).	1,582,063	-0-	78,968	1,503,095	87,704
A Water Resource Improvement Revenue Bond, Series 2003A in the amount of \$1,445,000 is due to the USDA. The bond requires annual principal and interest payments at an annual interest rate of 4.875% with a maturity date of February 2043.	1,460,000	-0-	15,000	1,445,000	16,000
Water Resource Improvement Revenue Bond, Series 2003B is due in the amount of \$11,170,000. The Bond requires annual principal and interest payments with interest rates ranging from 1.5% to 4.4% with a final maturity date of October 2018.	12,145,000	-0-	975,000	11,170,000	990,000
Water Resource Improvement Revenue Bond, Series 2006 is due in the amount of \$9,090,000. The Bond requires annual principal and interest payments with interest rates ranging from 3.75% to 5.00% with a final maturity date of October 2031.	9,110,000	-0-	20,000	9,090,000	25,000
	<u>\$ 25,187,063</u>	<u>\$ -0-</u>	<u>\$ 1,373,968</u>	<u>\$ 23,813,095</u>	<u>\$ 1,413,704</u>

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 4. Long-Term Debt (Continued):

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of December 31, 2008, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,476,714	\$ 987,918	\$ 2,464,632
2010	1,526,798	935,707	2,462,505
2011	1,592,039	875,512	2,467,551
2012	1,396,330	800,994	2,197,324
2013	1,458,016	745,030	2,203,046
2014-2018	8,289,070	2,738,456	11,027,526
2019-2023	3,188,424	1,280,088	4,468,512
2024-2028	1,768,000	597,846	2,365,846
2029-2033	1,036,000	269,164	1,305,164
2034-2038	295,000	135,379	430,379
2039-2043	373,000	56,355	429,355
Total	<u>\$ 22,399,391</u>	<u>\$ 9,422,449</u>	<u>\$ 31,821,840</u>

The 1999, 2003, and 2006 Series bonds and USDA bonds are payable from the revenues of the Authority after the payment of operating and maintenance costs. The bonds are secured by a pledge of the monies and securities on deposit in the Reserve Fund, the Replacement and Improvement Fund, and the System Reserve Fund. The bond indenture requires, among other provisions, that the Authority maintain the system in good operating condition and charge rates such that the necessary debt service payments can be made after operating and maintenance charges have been paid. In addition, the indenture requires the establishment of certain funds as discussed in Note 2.

The FirstMerit Bank N.A. note is payable from the revenues of the Authority after the payment of operating and maintenance costs. The note is guaranteed by the United States Department of Agriculture.

Note 5. Insurance:

The Authority maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90 percent coinsured.

The Authority is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters.

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 5. Insurance (Continued):

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction of coverage from the prior year.

Note 6. Retirement Commitments:

A. Defined Benefit Pension Plans:

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan – a cost-sharing multiple-employer defined benefit pension plan.
2. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
3. The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the Combined Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to 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, death benefits, post-employment health care coverage, and annual cost-of-living adjustments to qualifying members of both the Traditional Pension and the Combined Plans. 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 postemployment health care coverage. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 6. Retirement Commitments (Continued):

A. Defined Benefit Pension Plans (Continued):

OPERS issues a publicly available stand-alone financial report. Interested parties may obtain a copy by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 222-5601 or 1-800-222-PERS (7377). The State of Ohio accounts for the activities of the Retirement System, and the amount of that fund is not reflected in the accompanying financial statements.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008 and 2007, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

Benefits fully vest upon reaching five years of service and are established by state statute. Employees may retire at any age with 30 years of service, at age 60 with a minimum of 5 years of credited service, and at age 55 with a minimum of 25 years of service. Those individuals retiring with less than 30 years of service or less than age 65 receive reduced retirement benefits. Eligible employees are entitled to a retirement benefit, payable monthly for life, equal to 2.2% of their final average salary for each year of credited service up to 30 years. Employees are entitled to 2.5% of their final average salary for each year of service in excess of 30 years. Final average salary is the employee's average salary over the highest three years of earnings.

The Ohio Revised Code provides statutory authority for employer contributions. Employer contribution rates are expressed as percentage of the covered payroll of active members. The rate set for member contribution for 2008 and 2007 was 10.0% and 9.5%, respectively, and the employer contribution rate was 14.00% and 13.85%, respectively, of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll. Total required employer contributions for all plans are equal to 100% of employer charges and should be extracted from the employer's records. The difference between the total employer rate and the portion used to fund pension obligations is the amount used to fund the health care programs. Pension expense for the years ended December 31, 2008 and 2007 was \$540,780 and \$544,475, respectively.

Effective July 1, 1991, the Authority started a Voluntary Retirement Incentive Plan under the State of Ohio.

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 6. Retirement Commitments (Continued):

A. Defined Benefit Pension Plans (Continued):

The "Pension Benefit Obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the OPERS System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among OPERS and employers.

B. Post-Employment Benefits:

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten 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 Postemployment Benefit (OPEB) as described in GASB Statement No. 45. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. The employer contribution rate is 14.00% and 13.85% of covered payroll from January 1 through December 31, 2008 and 2007, respectively.

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, the employer contribution allocated to the health care plan was 7.0% of covered payroll. For 2007, the employer contribution allocated to the health care plan from January 1 through June 30, 2007 and July 1 through December 31, 2007 was 5.0% and 6.0% of covered payroll, respectively. 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.

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 6. Retirement Commitments (Continued):

B. Post-Employment Benefits (Continued):

An individual entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2007. The investment assumption rate for 2007 was 6.50%. An annual increase of 4.00% compounded annually on active employee total payroll is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from .50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 4.00% for the next seven years. In subsequent years (eight and beyond) health care costs were assumed to increase at 4.00% (the projected wage inflation rate). All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

OPEBs are advanced-funded on an actuarially determined basis. The Traditional Pension and Combined Plans had 363,503 active contributing participants as of December 31, 2008. The number of active contributing participants for both plans used in the December 31, 2007 actuarial valuation was 364,076. The employer contributions, made by Rural Lorain County Water Authority, used to fund postemployment benefits were \$174,071 for the year ended December 31, 2008. Twelve billion eight hundred million dollars (\$12,800,000,000) represents the actuarial value of OPERS net assets available for OPEB at December 31, 2007. The actuarially accrued liability and the unfunded actuarial accrued liability for OPEB, based on the actuarial cost method used was \$29.8 billion and \$17.0 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 6. Retirement Commitments (Continued):

B. Post-Employment Benefits (Continued):

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board of Trustees on September 9, 2004, was effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2008, 2007, and 2006, which will allow additional funds to be allocated to the health care plan.

C. Retirement Incentive Plan:

The Authority adopted the Retirement Incentive Plan, which is adopted under guidelines of the Ohio Public Employees Retirement System. Participation in the Plan shall be available to five percent (5%) of employees of the Authority, per year, who are employed at their offices and are members of Ohio Public Employees Retirement System. Pursuant to the terms of the Plan, service credit for each participating employee shall be purchased by the Authority in an amount equal to the lesser of the following:

1. Five (5) years of service credit or
2. An amount of service credit equal to 1/5 of the total service of record credited to the participating employee in the OPERS, exclusive of the service credit purchased under this plan.

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 6. Retirement Commitments (Continued):

C. Retirement Incentive Plan (Continued):

An employee of the Authority eligible to participate in the Plan shall meet the following criteria:

1. The employee is or will be eligible to retire under the Ohio Public Employees Retirement System of the Ohio Revised Code on or before the date of termination of the Plan.
2. The employee agrees to retire within 90 days after receiving notice from OPERS that service credit has been purchased for the employee pursuant to the Plan.
3. Employees with less than eighteen (18) months of service with the Authority shall have the right to elect to participate in this Plan only after all other eligible employees have been given the opportunity to elect to participate.

Retirement Incentive Plan expense for the years ended December 31, 2008 and 2007, was \$239,748 and \$260,635, respectively.

Note 7. Leasing Arrangements:

The Authority leases one copier under a 48-month operating lease and one copier under a 24-month operating lease that began in April 2006 and February 2007, and expire in March 2010 and January 2009, respectively. These leases require rent in the amount of \$437 and \$440 per month plus charges for additional copies over 5,000 and 8,200, respectively.

The following is a schedule of future minimum rental payments required under the above operating leases as of December 31, 2008:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2009	\$5,684
2010	<u>1,311</u>
	<u>\$6,995</u>

Office equipment lease for the years ended December 31, 2008 and 2007 was \$14,425 and \$14,351, respectively.

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 8. Commitments:

A. Water Purchase Agreements:

The Authority's original and primary source of water (approximately 81.5%) has been the City of Avon Lake's water treatment plant located in northern Lorain County. On April 30, 1975, the Authority signed a long-term water purchase agreement with the City of Avon Lake with maximum amounts of water to be supplied per month.

The Authority purchases water from the Village of New London (approximately 12.9%) as a supplement to the water purchased from the City of Avon Lake. In addition to the Avon Lake agreement, the Authority signed a long-term water purchase agreement in 1996 with New London with maximum amounts of water to be supplied per month.

B. Water Supply Agreements:

The Authority has long-term agreements with various villages and municipalities to provide water in emergencies and at monthly bulk rates. The terms of the agreements vary with each municipality as to rate and period of time.

Note 9. Investment in Joint Venture:

The Authority is a member of the Medina-Lorain Water Consortium (the Consortium), which is a joint venture between the City of Avon Lake, the City of Medina, Medina County, and the Rural Lorain County Water Authority. The Consortium was created in 1999 for the purpose of construction, operation and maintenance of a water transmission line to serve members of the Consortium, and for the purpose of bulk water delivery from the City of Avon Lake. There is an ongoing financial responsibility for all parties for the maintenance and repair of the project. The Consortium is governed by representatives of the member parties. The City of Avon Lake serves as the fiscal agent for the Consortium. As of December 31, 2008 and 2007, the Authority's equity interest in the Consortium was \$5,175,821 and \$5,331,082, respectively. Financial information can be obtained from Joe Newlin, City of Avon Lake Finance Director, 150 Avon-Belden Road, Avon Lake, Ohio 44012.

SUPPLEMENTARY INFORMATION

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF OPERATING EXPENSES

Years Ended December 31, 2008 and 2007

	2008	2007
OPERATING EXPENSES:		
Wages:		
Board	\$ 101,858	\$ 87,292
Employees	1,489,679	1,398,482
Vacation and sick leave	171,430	79,073
O.P.E.R.S.	540,780	544,475
Payroll taxes	33,826	29,282
Insurance:		
Hospitalization	342,510	322,494
Life	4,942	4,779
General	75,060	81,550
Audit and professional fees	71,443	99,095
Legal fees	45,006	40,453
Engineering fees	37,094	4,729
Telephone	26,316	26,525
Depreciation expense	1,782,598	1,713,447
Utilities	41,968	36,906
Billing expense	29,500	26,328
Office equipment lease	14,425	14,351
Office supplies and expense	175,887	161,376
Clothing	18,006	18,141
Postage	86,097	82,449
Maintenance and repairs:		
Administration building and equipment	150,319	145,000
Vehicles	88,763	97,714
Water lines	118,725	116,424
Pump stations	33,510	47,140
Tanks	235,399	348,827
Travel and education expense	79,097	81,475
Gasoline	55,436	47,364
Water purchased	3,223,345	3,090,296
Distribution supplies	72,593	89,548
Electric pump stations and tanks	368,137	352,692
Tap installations	154,200	239,554
Communications equipment	6,009	10,653
Bond administration expense	-0-	1,616
Miscellaneous expense	80,469	64,816
	\$ 9,754,427	\$ 9,504,346

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Rural Lorain County Water Authority
Lorain County
42401 State Route 303
LaGrange, Ohio 44050

To the Board of Directors:

We have audited the financial statements of the business-type activities of the Rural Lorain County Water Authority, Lorain County (Authority), as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Authority in a separate letter dated June 5, 2009.

This report is intended for the information and use of management, the Board of Directors and the audit committee and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.

June 5, 2009

**RURAL LORAIN COUNTY WATER AUTHORITY
LORAIN COUNTY
DECEMBER 31, 2008**

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006-001	Audit corrections and modifications	Yes	No Longer Valid
2006-002	Ohio Revised Code Section 5705.41 (D)- Proper certification of funds prior to disbursement	Yes	No Longer Valid



Mary Taylor, CPA
Auditor of State

RURAL LORAIN COUNTY WATER AUTHORITY
LORAIN 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
AUGUST 4, 2009