



**ALLEN WATER DISTRICT
ALLEN COUNTY**

REGULAR AUDIT

JANUARY 1, 1998 - DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

ALLEN WATER DISTRICT
ALLEN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Balance Sheet	
As of December 31, 1999	3
Statement of Revenues, Expenses and Changes in Fund Equity	
For the Year Ended December 31, 1999	4
Statement of Cash Flows	
For the Year Ended December 31, 1999	5
Balance Sheet	
As of December 31, 1998	6
Statement of Revenues, Expenses and Changes in Fund Equity	
For the Year Ended December 31, 1998	7
Statement of Cash Flows	
For the Year Ended December 31, 1998	8
Notes to the General-Purpose Financial Statements	9
Report of Independent Accountant's on Compliance and on Internal Control	
Required By <i>Government Auditing Standards</i>	21

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Allen Water District
Allen County
P.O. Box 724
Lima, Ohio 45802-0724

To the Board of Trustees:

We have audited the accompanying general-purpose financial statements of the Allen Water District, Allen County, (the District) as of and for the years ended December 31, 1999 and 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Allen Water District, Allen County, as of December 31, 1999 and 1998, and the results of its operations and the cash flows of its proprietary fund type for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2000 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 grants.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

September 25, 2000

This page intentionally left blank.

**ALLEN WATER DISTRICT
ALLEN COUNTY**

**BALANCE SHEET
AS OF DECEMBER 31, 1999**

ASSETS		
Current Assets:		
Cash in checking and petty cash	\$77,408	
Accounts receivable	28,748	
Total Current Assets	106,156	106,156
Restricted Assets:		
Cash in restricted funds	1,058,495	
Assessment receivables	5,257,094	
Total Restricted Assets	6,315,589	6,315,589
Property, Plant, and Equipment, at cost:		
Land Easements	7,036	
Water Lines	9,462,950	
Developer Donated Lines	1,193,625	
Office furniture and equipment	21,013	
Total Property, Plant and Equipment	10,684,624	
Accumulated depreciation	(913,034)	
Total Property, Plant and Equipment	9,771,590	9,771,590
Other Assets:		
Planning costs - Proposed projects	18,144	
Planning Maps	2,735	
Planning costs - General net of \$60,585		
Accumulated Amortization	320,721	
Prepaid Insurance	959	
Total Other Assets	342,559	342,559
Total Assets	\$16,535,894	
LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Accounts Payable	\$40,616	
Ohio Water Development Authority Payable - Current Portion	241,061	
Accrued Interest Payable	243,432	
Payroll taxes accrued and withheld	1,884	
Total Current Liabilities	526,993	526,993
Long-Term Liabilities:		
Ohio Water Development Authority Loans Payable		
- net of current portion	7,117,339	
Ohio Water and Sewer Rotary Commission Loans Payable	236,281	
Total Long-Term Liabilities	7,353,620	7,353,620
Fund Equity:		
Contributed Capital - grants	185,327	
Contributed Capital - assessments	8,013,364	
Contributed Capital - Townships	106,000	
Contributed Capital - Allen County	15,000	
Contributed Capital - City of Lima	192,350	
Contributed Capital - donated lines	1,193,625	
Accumulated Deficit	(1,050,385)	
Total Fund Equity	8,655,281	8,655,281
Total Liabilities and Fund Equity	\$16,535,894	

See accompanying notes to the general-purpose financial statements.

**ALLEN WATER DISTRICT
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1999**

Operating Revenues:		
District Fees	\$220,003	
Contract Fees	125,728	
Total Operating Revenues		345,731
Operating Expenses:		
Office wages	\$18,291	
Trustee fees	9,000	
Casual Labor	130	
Payroll taxes	379	
PERS expense	3,698	
Workers compensation insurance	96	
Engineering fees	21,863	
Legal fees	53,660	
Accounting and audit fees	24,023	
Contract Fees	125,728	
Insurance	2,394	
Telephone	1,760	
Office supplies	1,704	
Equipment maintenance	2,079	
Rent	7,200	
Easement Rent	150	
Office Maintenance	738	
Postage	641	
Bank Charges and miscellaneous	253	
Prior Period Adjustment	237	
Utilities	1,224	
Transportation	1,971	
Total Operating Expenses		277,219
Operating Income		68,512
Other Income (Expenses)		
Tap fees	90,998	
Tap fees recoupment	(5,320)	
Interest income	355,808	
Plan/review and inspection revenue	7,797	
Plan/review and inspection expense	(8,334)	
CIP revenues	6,893	
Meter fees	4,350	
Miscellaneous revenue	108	
Depreciation	(198,502)	
Amortization	(7,626)	
Interest expense	(479,941)	
Total Other Income (Expenses)		(233,769)
Net Loss for the Year		(165,257)
Fund Equity (Accumulated Deficit) - Beginning of Year		(885,128)
Fund Equity (Accumulated Deficit) - End of Year		(\$1,050,385)

See accompanying notes to the general-purpose financial statements.

**ALLEN WATER DISTRICT
ALLEN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1999**

Increase in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$376,619
Cash Paid to Employees	(32,068)
Cash Paid for Contractual Services	(236,226)
Miscellaneous Expense	(18,152)
Net Cash Provided by Operating Activities	<u>90,173</u>
Cash Flows from Investing Activities	
Investment Income	<u>49,471</u>
Net Cash Used for Investing Activities	<u>49,471</u>
Cash Flows from Capital and Related Financing Activities:	
Construction of Capital Assets	(710,056)
Planning of Capital Assets	(4,195)
Purchase of office furniture and equipment	(2,579)
Construction loan proceeds	631,823
Construction loan principal payments	(313,143)
Interest payment on loans	(452,515)
Special assessment interest income	285,424
Special assessments	380,728
Other Income	96,492
Net Cash Provided by Capital and Related Financing Activities	<u>(88,021)</u>
Net Decrease in Cash and Cash Equivalents	51,623
Cash and Cash Equivalents at Beginning of Year	<u>1,084,280</u>
Cash and Cash Equivalents at End of Year	<u>\$1,135,903</u>
Reconciliation of Net Income to Cash Provided by Operating Activities	
Operating Income	\$68,512
Adjustments to Reconcile Excess of Income and Other Income Over Expenses Cash Provided by Operating Activities	
(Increase) Decrease in Assets	
Accounts Receivable	30,887
Prepaid Expenses	93
Increase (Decrease) in Liabilities	
Accounts Payable - Operations	(8,846)
Accrued Payroll Expenses	(473)
Net Cash Provided by Operating Activities	<u><u>\$90,173</u></u>
Non-Cash Capital Activities:	
Waterlines Donated by Developers	\$74,625

See Accompanying Notes to General Purpose Financial Statements.

**ALLEN WATER DISTRICT
ALLEN COUNTY**

**BALANCE SHEET
AS OF DECEMBER 31, 1998**

ASSETS		
Current Assets:		
Cash in checking and petty cash	\$101,841	
Accounts receivable	59,636	
Total Current Assets	161,477	
Restricted Assets:		
Cash in restricted funds	982,439	
Assessment receivables	4,443,781	
Total Restricted Assets	5,426,220	
Property, Plant, and Equipment, at cost:		
Land Easements	7,036	
Water Lines	8,813,471	
Developer Donated Lines	1,119,000	
Office furniture and equipment	18,434	
Total Property, Plant and Equipment	9,957,941	
Accumulated depreciation	(714,532)	
Total Property, Plant and Equipment	9,243,409	
Other Assets:		
Planning costs - Proposed projects	15,334	
Planning Maps	1,350	
Planning costs - General net of \$52,959		
Accumulated Amortization	328,347	
Prepaid Insurance	1,052	
Total Other Assets	346,083	
Total Assets		\$15,177,189
LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Accounts Payable	\$120,734	
Ohio Water Development Authority Payable - Current Portion	312,856	
Accrued Interest Payable	216,293	
Payroll taxes accrued and withheld	2,357	
Total Current Liabilities	652,240	
Long-Term Liabilities:		
Ohio Water Development Authority Loans Payable		
- net of current portion	6,715,881	
Ohio Water and Sewer Rotary Commission Loans Payable	236,281	
Total Long-Term Liabilities	6,952,162	
Fund Equity:		
Contributed Capital - grants	185,327	
Contributed Capital - assessments	6,840,238	
Contributed Capital - Townships	106,000	
Contributed Capital - Allen County	15,000	
Contributed Capital - City of Lima	192,350	
Contributed Capital - donated lines	1,119,000	
Accumulated Deficit	(885,128)	
Total Fund Equity	7,572,787	
Total Liabilities and Fund Equity		\$15,177,189

See accompanying notes to the general-purpose financial statements.

**ALLEN WATER DISTRICT
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1998**

Operating Revenues:		
District Fees	\$173,227	
Contract Fees	98,573	
Total Operating Revenues	271,800	271,800
 Operating Expenses:		
Office wages	\$13,800	
Trustee fees	9,000	
Casual Labor	195	
Payroll taxes	421	
PERS expense	3,089	
Workers compensation insurance	197	
Engineering fees	18,395	
Legal fees	38,250	
Accounting and audit fees	27,812	
Contract Fees	98,573	
Insurance	2,294	
Telephone	980	
Office supplies	2,505	
Equipment maintenance	1,292	
Rent	900	
Office Maintenance	899	
Trustee Expenses	1,162	
Postage	598	
Utilities	75	
Transportation	726	
Total Operating Expenses	221,163	221,163
Operating Income		50,637
 Other Income (Expenses)		
Tap fees	69,504	
Tap fees recoupment	(2,660)	
Interest income	335,078	
Plan review fees	(3,659)	
Inspection fees	600	
CIP revenues	11,224	
Meter fees	6,420	
Miscellaneous revenue	174	
Depreciation	(169,056)	
Amortization	(7,626)	
Interest expense	(436,975)	
Total Other Income (Expenses)	(196,976)	(196,976)
Net Loss For The Year		(146,339)
Fund Equity (Accumulated Deficit) - Beginning of Year		(738,789)
Fund Equity (Accumulated Deficit) - End of Year		(\$885,128)

See accompanying notes to the general-purpose financial statements.

**ALLEN WATER DISTRICT
ALLEN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1998**

Increase in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$233,756
Cash paid to Employees	(25,586)
Cash Paid for Contractural Services	(159,087)
Miscellaneous Expense	(8,196)
Net Cash Provided by Operating Activities	40,887
Cash Flows from Investing Activities	
Investment Income	49,064
Net Cash Used for Investing Activities	49,064
Cash Flows from Capital and Related Financing Activities:	
Construction of Capital Assets	(1,211,002)
Planning of Capital Assets	(3,340)
Purchase of office furniture and equipment	(6,607)
Construction loan proceeds	757,559
Construction loan principal payments	(320,038)
Interest payment on loans	(436,829)
Capital grants	27,977
Special assessment interest income	267,472
Special assessments	216,814
Other Income	81,602
Net Cash Provided by Capital and Related Financing Activities	(626,392)
Net Decrease in Cash and Cash Equivalents	(536,441)
Cash and Cash Equivalents at Beginning of Year	1,620,721
Cash and Cash Equivalents at End of Year	\$1,084,280
Reconciliation of Net Income to Cash Provided by Operating Activities	
Operating Income	\$50,637
Adjustments to Reconcile Excess of Income and Other Income Over Expenses Cash Provided by Operating Activities	
(Increase) Decrease in Assets	
Accounts Receivable	(38,044)
Prepaid Expenses	63
Increase (Decrease) in Liabilities	
Accounts Payable - Operations	27,115
Accrued Payroll Expenses	1,116
Net Cash Provided by Operating Activities	\$40,887
Non-Cash Capital Activities:	
Waterlines Donated by Developers	\$42,000

See Accompanying Notes to General Purpose Financial Statements.

**ALLEN WATER DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Allen Water District, hereafter referred to as "the District," was created by the Court of Common Pleas of Allen County in accordance with the provisions of Ohio Revised Code Section 6119, et seq. to provide water services to the residents of Bath, American, Perry and Shawnee Townships. The Allen Water District is managed by a five (5) member appointed Board of Trustees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and other recognized authoritative sources. Under the guidelines of GASB 20, the District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its proprietary activities. The adoption of this approach to accounting for proprietary activities by the District required no change from prior years. A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements follows:

A. Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds, to report on its financial position and the results of its operations, each of which is considered a separate accounting entity. The District has created a single type of fund and a single fund within that type. The fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, retained earnings/fund balance, revenues and expenses. This fund accounts for the governmental resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. The fund type which the District uses is described below:

Proprietary Fund Type

This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the District is an Enterprise Fund.

Enterprise Fund - This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

B. Basis of Accounting

The accounting records are maintained on the accrual basis of accounting for financial reporting purposes. Revenues for service fees are recorded in the period service is provided. Revenues for tap fees are recorded when the taps have been installed and the customer is using the service. All other revenues are recognized when earned and expenses are recognized when they are incurred.

The proprietary fund is accounted for on a flow of economic resources and all assets and liabilities associated with the operation are included on the balance sheet. Fund equity is segregated into retained earnings and contributed capital components.

**ALLEN WATER DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

The District was not required to adopt a budget for the year ended December 31, 1999 or 1998. Ohio Attorney General Opinion No. 99-020, dated March 16, 1999, has clarified that the budget process described in Ohio Revised Code Chapter 5705, applies to the District, regardless of whether the District levies property taxes. The Ohio Revised Code requires that each fund be budgeted annually. For the year ended December 31, 2000, the District has adopted a budget, adopted and passed an annual appropriation resolution, and filed the necessary paperwork with the Allen County Auditor. Note that the District was not required to administer the following requirement until January 1, 2000.

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting.

D. Accounts Receivable

Accounts receivable consist of district, contract, and capital improvement participation fees, and are shown at their net realizable value.

E. Prepaids

Payments made to vendors for services that will benefit periods beyond year-end, are recorded as prepaid items using the consumption method. A current asset or the prepaid amount is recorded at the time of purchase and as an expense in the year in which the services are consumed.

F. Restricted Assets

Certain proceeds from property assessments are classified as restricted assets on the balance sheet because their use is restricted to the debt retirement of the associated project.

G. Property, Plant and Equipment

Property, plant and equipment are stated at cost and are depreciated over the estimated useful life of the assets from five to fifty years, depending on the type of asset. In addition, interest costs incurred during the construction of the water system infrastructure are capitalized and included in property, plant and equipment.

Interest costs were capitalized in the amounts of \$10,972 in 1999 and \$17,870 in 1998. Once construction is complete and a project is operational, depreciation begins on all planning costs, construction costs, loan fees, and capitalized interest. Donated waterlines are capitalized at estimated fair market value on the date donated.

Depreciation is computed using the straight-line for financial reporting purposes.

H. Planning Costs - Proposed Projects

The planning costs for the proposed projects are comprised of engineering, legal and administrative planning costs which are not allocated to specific projects currently in construction. If the proposed project begins construction, the respective planning costs will be included in property, plant and

**ALLEN WATER DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Planning Costs - Proposed Projects (Continued)

equipment, and depreciated (as Note 2G defines). If the proposed project does not enter construction, respective planning costs will be amortized (as Note 2I defines).

I. Amortization

General planning costs are being amortized over fifty years, which is computed using the straight line method for financial statement reporting purposes. The amortization expense charged to operations for 1999 and 1998 was \$7,626 for each fiscal year.

J. Cash and Cash Equivalents

Cash balances of the District's funds are held in a central bank account and invested in STAR Ohio.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 1999 and 1998.

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Investments are stated at market value.

K. Interest Expense

Interest expense represents the interest portion of construction loan payments to the Ohio Water Development Authority.

NOTE 3 - ACCOUNTABILITY

The accumulated deficit balances as of December 31, 1999 and 1998, for the District were \$1,050,385 and \$885,128, respectively. This deficit is created because depreciation and amortization are non-cash items, but are included in net loss for each year and retained as a deficit. The District does not intend to accumulate additional funds to cover potential future improvement costs (represented by depreciation and amortization).

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS - LEGAL REQUIREMENTS

Statutes require the classification of monies held by the District into three (3) categories. Category 1 consists of "active" monies - those monies required to be kept in a "cash" or "near-cash" status for immediate use by the District. Such money must be maintained either as cash in the District treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts. Category 2 consists of "inactive" monies - monies not required for use within the current two - year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation, or by savings or deposit accounts including, but not limited to, passbook accounts. Category 3 consists of "interim" monies - monies which are not needed for immediate use, but which will be needed before the end of the current period of designation. Interim monies may be invested or deposited in the following securities:

**ALLEN WATER DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Continued)**

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS - LEGAL REQUIREMENTS (Continued)

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's Investment Pool.

Notwithstanding the foregoing requirements, the District may invest any monies not required to be used for a period of six months in the following classes or investments:

1. Bonds or other obligation of the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Discount notes of the Federal National Mortgage Association;
3. Bonds issued by the Homeowners' Loan Corporation;
4. Bonds of any municipal corporation, village, county, township, or other political subdivision of Ohio, as to which there is not default of principal, interest or coupons.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

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

During 1999 and 1998, the District's investments were limited to STAR Ohio.

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

**ALLEN WATER DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Continued)**

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS - LEGAL REQUIREMENTS (Continued)

At year-end December 31, 1999 and 1998, the District had \$200 in undeposited cash on hand which is included on the balance sheet of the District as part of "Cash in checking and petty cash".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At December 31, 1999, the carrying amount of the District's deposits was \$77,208 and the bank balance was \$96,119, which was covered by federal depository insurance. At December 31, 1998, the carrying amount of the District's deposits was \$101,641 and the bank balance was \$134,075. Of the bank balance, \$100,000 was covered by federal depository insurance and \$34,075 was uninsured and uncollateralized.

Although the securities serving as collateral were held by the pledging financial institution's trust department and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The carrying and market value of the investment is \$1,058,495, as of December 31, 1999, and \$982,439, as of December 31, 1998.

NOTE 5 - ACCOUNT AND SPECIAL ASSESSMENT RECEIVABLES

The accounts receivable balances of \$28,748, at December 31, 1999 and \$59,636, at December 31, 1998, consisted of district fees and are current (due 0-30 days).

Assessment receivables of \$5,257,094 and \$4,443,781 at December 31, 1999 and 1998, respectively, represent the remaining balances of construction assessments, less prepayments, and principal amounts received from the county auditor. Once an assessment has been issued for construction costs, and the deadline is final for prepayments, as specified by corresponding resolutions, the remaining unpaid balances are certified to the county auditor for semiannual collection over twenty-five years through real estate tax billings. Interest is being charged at the same rate as the respective OWDA Loan.

**ALLEN WATER DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Continued)**

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

The following is a schedule of changes in property, plant and equipment:

	December 31, 1998	Additions	December 31, 1999
Land easements	\$7,036	\$	\$7,036
Water lines:			
Elm and Copus	349,046		349,046
Shawnee	1,447,304		1,447,304
McDonel	859,112		859,112
Hawthorne	211,545		211,545
State Route 309	261,180		261,180
Allentown	1,759,881		1,759,881
Buckeye Road	317,070		317,070
Shagbark and Snowberry	153,781		153,781
Springbrook	883,148		883,148
East Breese	542,553		542,553
Greely Chapel South	161,976	8,291	170,267
Greely Chapel North	23,410		23,410
Dixie Blue I & II	800,122	(17,955)	782,167
East Bluelick Extension	99,872		99,872
Hanthorn Extension	58,946		58,946
Lee Ann	41,969		41,969
Woodbriar	559,111	76,275	635,386
Metzger	86,705	11,659	98,364
Linfield	67,638	11,456	79,094
Fetter	103,956	112,708	216,664
Stewart	25,146	177,795	202,941
Dixie North - King		140,399	140,399
Sweger - Fraunfelter		42,733	42,733
Diller/Eastown/Frank		40,979	40,979
Eastown		27,528	27,528
Colony Park		17,611	17,611
Developer Donated Lines	1,119,000	74,625	1,193,625
Office furniture and equipment	<u>18,434</u>	<u>2,579</u>	<u>21,013</u>
	9,957,941	726,683	10,684,624
Less accumulated depreciation	<u>(714,532)</u>		<u>(913,034)</u>
Total Property, Plant and Equipment	<u><u>\$9,243,409</u></u>		<u><u>\$9,771,590</u></u>

NOTE 7 - DISTRICT AND CONTRACT FEES

The District customers, as outside the city users, pay a service charge for water and a contract fee, not to exceed 50 percent of the water service charge, for the right and privilege of receiving water services as defined in the contract between the Allen Water District and the City of Lima.

In addition, the District has imposed a district fee, as allowed by Chapter 6119, of the Ohio Revised Code. The City of Lima is responsible for the billing and collection of all fees and charges on behalf of the District.

**ALLEN WATER DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Continued)**

NOTE 8 - INTEREST INCOME

Interest income during 1999 and 1998 consisted of the following:

	1999	1998
Interest income from checking account	\$2,198	\$2,989
Interest income from savings account	47,272	46,075
Interest income from assessments, accrued and collected	<u>306,338</u>	<u>286,014</u>
Total interest income	<u>\$355,808</u>	<u>\$335,078</u>

NOTE 9 - CURRENT AND LONG-TERM DEBT

The current and long-term debts listed are construction loans with Ohio Water Development Authority (O.W.D.A.) and the Ohio Water and Sewer Rotary Commission. The projects are identified as follows:

A/B Elm/Copus Project	N Woodbriar/Metzger Project
C Shawnee Project	O Stewart/Fetter/Linfield Project
D McDonel Project	P Dixie Hwy North/King Project
E Hawthorne Project	Q Eastown Project
F/G Allentown Project	R Sweger/Fraunfelter Project
H State Route 309 Project	S Shawnee Agriculture Deferred Project
I Buckeye Project	T Allentown Agriculture Deferred Project
J Shagbark/Snowberry Project	U Dutch Hollow Agriculture Deferred Project
K Springbrook Project	V Springbrook Agriculture Deferred Project
L East Breese Project	W East Breese Agriculture Deferred Project
M Greely Chapel Project	

A. Ohio Water Development Authority

The current and long term debt at December 31, 1999 is as follows:

	Loan Payable to	Interest Rate	First Payment	Contract Term	Principal Due in 1999	Principal Due in 2000	Principal Due after 2000
A	O.W.D.A.	7.45%	1/1/93	25 Yrs.	\$393	\$422	\$14,262
B	O.W.D.A.	7.56%	1/1/93	25 Yrs.	7,946	8,546	298,150
C	O.W.D.A.	7.54%	1/1/94	25 Yrs.	35,360	38,026	1,464,171
D	O.W.D.A.	7.24%	1/1/94	25 Yrs.	21,168	22,701	846,647
E	O.W.D.A.	7.21%	1/1/94	25 Yrs.	5,251	5,629	209,159
F	O.W.D.A.	6.85%	1/1/95	25 Yrs.	35,710	38,156	1,500,715
G	O.W.D.A.	6.24%	7/1/95	25 Yrs.	4,437	4,714	180,915
H	O.W.D.A.	6.51%	1/1/95	25 Yrs.	3,695	3,936	149,049
I	O.W.D.A.	5.90%	1/1/95	25 Yrs.	6,991	7,404	262,036
J	O.W.D.A.	6.72%	1/1/96	25 Yrs.	3,056	3,262	138,406
K	O.W.D.A.	6.72%	1/1/97	25 Yrs.	13,280	14,172	656,934
L	O.W.D.A.	5.94%	7/1/98	25 Yrs.	2,972	3,148	149,438
M	O.W.D.A.	6.32%	7/1/99	25 Yrs.	34,573	1,989	106,076
N	O.W.D.A.	5.66%	7/1/00	25 Yrs.	138,024	11,898	579,478
O	O.W.D.A.	5.54%	1/1/00	25 Yrs.		77,058	421,640
P	O.W.D.A.	5.77%	1/1/02	25 Yrs.			138,464
Q	O.W.D.A.	6.13%	7/1/01	25 Yrs.			864
R	O.W.D.A.	6.13%	7/1/01	25 Yrs.			935
					<u>\$312,856</u>	<u>\$241,061</u>	<u>\$7,117,339</u>

**ALLEN WATER DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Continued)**

NOTE 9 - CURRENT AND LONG-TERM DEBT (Continued)

The following is a summary of the District's future annual debt service requirements for long-term construction loan principal and interest due:

	2000	2001	2002	2003	2004	2005 & after
A	\$1,516	\$1,516	\$1,516	\$1,516	\$1,516	\$19,708
B	31,733	31,733	31,733	31,733	31,733	412,525
C	151,292	151,292	151,292	151,292	151,292	2,118,086
D	85,641	85,641	85,641	85,641	85,641	1,198,980
E	21,116	21,116	21,116	21,116	21,116	295,619
F	143,569	143,569	143,569	143,569	143,569	2,153,535
G	16,297	16,297	16,297	16,297	16,297	252,610
H	13,895	13,895	13,895	13,895	13,895	208,430
I	23,301	23,301	23,301	23,301	23,301	349,510
J	12,782	12,782	12,782	12,782	12,782	204,505
K	59,270	59,270	59,270	59,270	59,270	1,007,595
L	12,212	12,212	12,211	12,211	12,211	225,915
M	8,788	8,787	8,787	8,787	8,787	171,360
N	45,204	45,204	45,204	45,204	45,204	881,471
O	88,909	32,181	32,181	32,181	32,181	643,633
P			10,596	10,596	10,596	233,111
Q		34	68	68	68	1,471
R		37	74	74	74	1,590
	<u>\$715,525</u>	<u>\$658,867</u>	<u>\$669,533</u>	<u>\$669,533</u>	<u>\$669,533</u>	<u>\$10,379,654</u>

B. Ohio Water and Sewer Rotary Commission

The District also obtained five interest free loans from the Ohio Water and Sewer Rotary Commission for the construction of water lines. These loans provide funding assistance for that portion of the project for which collections of assessments from certain owners of underdeveloped property located within an agricultural district are exempted pursuant to Section 929.03 of the Ohio Revised Code, subject to the performance of certain terms and conditions of repayment.

As part of the agreement, whenever the use of the agricultural land changes, the full amount of the assessment is to be charged for the portion of the property that was exempted under Section 929.03 of the Ohio Revised Code, and repayment is required to be made to the Ohio Water and Sewer Rotary Commission. The following amounts represent the Ohio Water and Sewer Rotary Commission project loans outstanding which are identified on the previous page.

	December 31, 1999	December 31, 1998
S	\$23,244	\$23,244
T	118,787	118,787
U	28,217	28,217
V	29,174	29,174
W	<u>36,859</u>	<u>36,859</u>
	<u>\$236,281</u>	<u>\$236,281</u>

**ALLEN WATER DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Continued)**

NOTE 9 - CURRENT AND LONG-TERM DEBT (Continued)

C. Inter-Project Loans

During 1997 and 1998, the District utilized excess prepaid assessment and tap fee monies collected for specific projects to fund the planning and construction costs for newer projects. These project loans are the responsibility of the District.

The total costs for these funded newer projects, including calculated interest, is assessed to the consumers of each respective project. As assessments monies, tap fees for unassessed properties, and district fee revenues are received from these newer projects, it is the District's intent that the respective debt will be repaid to the projects from which the money was borrowed. The interest to be repaid is tied to the market and varies on a quarterly basis.

As of year-end, the loans issued to other projects are as follows:

Loan Payable to	Interest Rate	December 31, 1999	December 31, 1998
D McDonel Project	variable	\$165,000	\$200,000
F/G Allentown Road Project	variable	400,000	400,000
K Springbrook Project	variable	200,000	200,000
I Buckeye Project	variable	<u>100,000</u>	<u>100,000</u>
		<u>\$865,000</u>	<u>\$900,000</u>

NOTE 10 - CONTRIBUTED CAPITAL

The change in contributed capital for the years ended 1999 and 1998 is as follows:

	December 31, 1999	December 31, 1998
Contributed Capital at Beginning of Year	\$8,457,915	\$7,863,888
Contributed Capital From Special Assessments	1,173,126	522,677
Contributed Capital From City of Lima		4,350
Contributed Capital From Townships		10,000
Contributed Capital From Allen County		15,000
Contributed Capital - Donated Lines	<u>74,625</u>	<u>42,000</u>
Contributed Capital at End of Year	<u>\$9,705,666</u>	<u>\$8,457,915</u>

Contributed capital from donated developer lines represents the fair value of construction for the new developments placed in service during 1991 thru 1999. The developers' contracts state that the lines must be donated to the District once a resolution has been passed to accept the lines as operational, and for use and hookup. The donated lines are recorded as an asset once the Bill of Sale is signed and finalized.

During 1993, \$50,000 of capital was received from the City of Lima to assist in funding the Buckeye Road project.

During 1995, \$55,000 of capital was received from the City of Lima to assist in funding the State Route 309 project.

**ALLEN WATER DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Continued)**

NOTE 10 - CONTRIBUTED CAPITAL, (Continued)

During 1995, the Ohio Public Works Commission disbursed \$20,291 on behalf of the District for a credit enhancement grant. The grant was utilized to pay the Ohio Water Development Authority for capitalized interest and of the first year's interest expense for the State Route 309 project.

During 1996 and 1997, \$165,036 of capital grant funding was disbursed from the Ohio Water Public Works Commission for expenditures on the East Breese Project.

During 1996, a capital grant in the amount of \$30,000 was received from Perry Township, and during 1997, \$25,000 of capital was received from the City of Lima, to assist in funding the East Breese project.

Contributed capital in the amount of \$24,933 was received from American Township, \$41,067 was received from Bath Township, and \$58,000 was received from the City of Lima to assist in funding the Springbrook project.

During 1998, \$4,350 of capital was received from the City of Lima to assist in the funding of the Metzger project; and, \$10,000 of capital was received from Perry Township and \$15,000 of capital was received from Allen County to assist in funding the Hanthorn Extension project.

Contributed capital through December 31, 1999, in the amount of \$8,013,364, represents the prepaid and certified assessments to customers for construction costs.

NOTE 11 -DEFINED BENEFIT PENSION PLANS

The District participates in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the District is required to contribute 13.55 percent; 9.35 percent of the District's contribution was used to fund pension obligations. Contributions are authorized by State statute. The contribution rates are determined actuarially. The District's contributions to PERS for the years ended December 31, 1999, 1998, and 1997, were \$2,552, \$2,132, and \$1,755, respectively. The full amount has been contributed for all years.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute.

**ALLEN WATER DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

The 1999 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care.

Benefits are funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

During 1999, OPEB expenditures made by PERS were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPEB through PERS was 118,062. The District's actual contributions for 1999 and 1998 which were used to fund OPEB were \$1,146 and \$957, respectively.

NOTE 13 - RISK MANAGEMENT

The Allen Water District contracted with Roser Insurance for commercial general liability insurance. The coverage insures up to \$1,000,000 for each occurrence and \$3,000,000 for an aggregate total. Settled claims have not exceeded the commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from the prior period.

NOTE 14 - OPERATING LEASE

The District is a party to a one year lease for rental of office space. This lease was effective December 17, 1998 and terminates on December 31, 1999. The District has the option to renew the lease on an annual basis. This lease requires the District to remit monthly payments of \$600.

NOTE 15 - RELATED PARTY TRANSACTIONS

During 1999 and 1998, the District had related party transactions with Cygnus Consulting. Cygnus Consulting is a computer consulting service operated by Anthony Hasting, son of Glenn Hasting, Treasurer of the District. Cygnus Consulting was paid \$1,576 and \$5,293 in 1999 and 1998, respectively.

During 1999, the District had related party transactions with Kara's Cleaning. Kara's Cleaning is an office cleaning service operated by Kara Hasting, daughter of Glenn Hasting, Treasurer of the District. Kara's Cleaning was paid \$480 during 1999.

NOTE 16 - SUBSEQUENT EVENTS

On January 20, 2000, the District awarded a construction contract to Municipal Pipe Contractors for the Diller/Eastown/Franks water line project in the amount of \$404,401. Also, the District awarded a construction contract to Underground Utilities, Inc. for the Colony Mobile Home Park water line project in the amount of \$186,419.

On June 15, 2000, the District awarded a construction contract to Price Excavating for the Dixie Highway #3 water line project in the amount of \$60,335.

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Allen Water District
Allen County
P.O. Box 724
Lima, Ohio 45802-0724

To the Board of Trustees:

We have audited the general-purpose financial statements of the Allen Water District, (the District) Allen County, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated September 25, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated September 25, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, that do not require inclusion in this report, that we have reported to the management of the Board in a separate letter dated September 25, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

September 25, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

ALLEN WATER DISTRICT

ALLEN 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
OCTOBER 19, 2000