

LAKENGREN WATER AUTHORITY

FINANCIAL STATEMENTS

MARCH 31, 2000 AND 1999

**HOOVER & ROBERTS, INC.**

CERTIFIED PUBLIC ACCOUNTANTS

121 NORTH BARRON STREET

EATON, OHIO 45320

456-4113

LAKENGREN WATER AUTHORITY

FINANCIAL STATEMENTS

MARCH 31, 2000 AND 1999

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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees  
Lakengren Water Authority  
Eaton, Ohio

We have reviewed the Independent Auditor's Report of the Lakengren Water Authority, Preble County, prepared by Hoover & Roberts, Inc., for the audit period April 1, 1999 through March 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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



JIM PETRO  
Auditor of State

June 28, 2000

# Hoover & Roberts, Inc.

*Certified Public Accountants*

May 10, 2000

To the Board of Trustees  
Lakengren Water Authority  
Eaton, Ohio

## Independent Auditor's Report

We have audited the accompanying balance sheet of Lakengren Water Authority as of March 31, 2000 and 1999, and the related statements of revenues and expenses, changes in fund equity, and cash flows for the years then ended. 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lakengren Water Authority as of March 31, 2000 and 1999, and the results of its operations and its cash flows 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 May 10, 2000, on our consideration of Lakengren Water Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Hoover & Roberts, Inc.*

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LAKENGREN WATER AUTHORITY  
BALANCE SHEET  
MARCH 31, 2000 AND 1999

A S S E T S

	<u>2000</u>	<u>1999</u>
<u>CURRENT ASSETS</u>		
Cash, and cash equivalents, operating fund	\$ 737,328	\$ 819,763
Accrued interest	7,900	7,900
Accounts receivable (net of allowance for bad debts of \$26,686 and \$45,544)	92,400	92,700
Repair parts inventory	56,105	56,097
Prepaid expenses	-	<u>12,872</u>
Total current assets	<u>893,733</u>	<u>989,332</u>
<u>BOND RETIREMENT TRUST ACCOUNTS</u>		
Cash and cash equivalents	124,469	123,796
<u>UTILITY PLANT</u>		
In service (net of accumulated depreciation of \$954,504 and \$649,663)	7,049,056	7,263,449
Construction in progress	152,756	-
<u>DEFERRED ASSETS</u>		
Unamortized bond issue costs	25,306	31,056
Engineering costs	<u>3,215</u>	<u>4,460</u>
TOTAL ASSETS	<u>\$ 8,248,535</u>	<u>\$ 8,412,093</u>

LIABILITIES AND EQUITY

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 8,443	\$ 22,245
Long-term debt payable within one year	75,000	70,000
Accrued other expenses	<u>32,723</u>	<u>27,962</u>
Total current liabilities	<u>116,166</u>	<u>120,207</u>
<u>LONG-TERM DEBT</u>		
Revenue bonds payable	710,000	780,000
Less portion payable within one year	(75,000)	(70,000)
Less deferred amount on refunding	<u>(20,788)</u>	<u>(25,492)</u>
Total long-term debt	<u>614,212</u>	<u>684,508</u>
Total liabilities	<u>730,378</u>	<u>804,715</u>
<u>EQUITY</u>		
Contributed capital	5,870,543	6,101,650
Retained earnings	<u>1,647,614</u>	<u>1,505,728</u>
Total equity	<u>7,518,157</u>	<u>7,607,378</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 8,248,535</u>	<u>\$ 8,412,093</u>

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

**LAKEMEN WATER AUTHORITY**  
**STATEMENTS OF REVENUES AND EXPENSES**  
**FOR THE YEARS ENDED MARCH 31, 2000 AND 1999**

	1999			
	<u>Water</u>	<u>Sewer</u>	<u>General</u>	<u>Total</u>
<b>OPERATING REVENUES</b>	<b>\$ 457,363</b>	<b>\$ 221,810</b>	<b>\$ 15,080</b>	<b>\$ 704,253</b>
	<u>41,255</u>	<u>29,170</u>	<u>77,197</u>	<u>147,622</u>
	<u>13,477</u>	<u>7,113</u>	<u>16,272</u>	<u>36,862</u>
	<u>5,497</u>	<u>3,886</u>	<u>10,283</u>	<u>19,666</u>
	<u>5,724</u>	<u>4,047</u>	<u>10,709</u>	<u>20,480</u>
	<u>-</u>	<u>-</u>	<u>25,297</u>	<u>25,297</u>
	<u>109,175</u>	<u>109,630</u>	<u>8,259</u>	<u>227,064</u>
	<u>10,250</u>	<u>5,195</u>	<u>-</u>	<u>15,445</u>
	<u>18,504</u>	<u>16,709</u>	<u>5,362</u>	<u>40,575</u>
	<u>13,805</u>	<u>16,471</u>	<u>7,037</u>	<u>37,313</u>
	<u>21,550</u>	<u>21,197</u>	<u>6,213</u>	<u>48,960</u>
	<u>-</u>	<u>-</u>	<u>10,458</u>	<u>10,458</u>
	<u>2,629</u>	<u>1,868</u>	<u>1,429</u>	<u>5,926</u>
	<u>241,866</u>	<u>215,486</u>	<u>178,516</u>	<u>635,868</u>
	<u>223,126</u>	<u>249,500</u>	<u>(167,961)</u>	<u>\$ 304,665</u>
	<u>204,886</u>	<u>75,648</u>	<u>85,902</u>	<u>304,841</u>
	<u>22,245</u>	<u>9,327</u>	<u>13,656</u>	<u>45,228</u>
	<u>26,812</u>	<u>11,242</u>	<u>11,242</u>	<u>49,296</u>
	<u>(11,974)</u>	<u>(11,974)</u>	<u>(11,974)</u>	<u>(35,922)</u>
	<u>304,841</u>	<u>6,078</u>	<u>6,078</u>	<u>316,997</u>
	<u>12,166</u>	<u>-</u>	<u>-</u>	<u>12,166</u>
	<u>60,995</u>	<u>6,456</u>	<u>6,456</u>	<u>73,907</u>
	<u>52,623</u>	<u>12,945</u>	<u>12,945</u>	<u>78,513</u>
	<u>15,972</u>	<u>12,549</u>	<u>12,549</u>	<u>41,070</u>
	<u>13,475</u>	<u>13,475</u>	<u>13,475</u>	<u>40,425</u>
	<u>6,383</u>	<u>4,128</u>	<u>4,128</u>	<u>14,639</u>
	<u>784,072</u>	<u>374,059</u>	<u>163,684</u>	<u>1,321,815</u>
	<u>(79,819)</u>	<u>(152,249)</u>	<u>(148,604)</u>	<u>\$ 24,347</u>
	<u>204,886</u>	<u>75,648</u>	<u>85,902</u>	<u>366,436</u>
	<u>22,245</u>	<u>9,327</u>	<u>13,656</u>	<u>45,228</u>
	<u>26,812</u>	<u>11,242</u>	<u>11,242</u>	<u>49,296</u>
	<u>(11,974)</u>	<u>(11,974)</u>	<u>(11,974)</u>	<u>(35,922)</u>
	<u>304,841</u>	<u>6,078</u>	<u>6,078</u>	<u>316,997</u>
	<u>12,166</u>	<u>-</u>	<u>-</u>	<u>12,166</u>
	<u>60,995</u>	<u>6,456</u>	<u>6,456</u>	<u>73,907</u>
	<u>52,623</u>	<u>12,945</u>	<u>12,945</u>	<u>78,513</u>
	<u>15,972</u>	<u>12,549</u>	<u>12,549</u>	<u>41,070</u>
	<u>13,475</u>	<u>13,475</u>	<u>13,475</u>	<u>40,425</u>
	<u>6,383</u>	<u>4,128</u>	<u>4,128</u>	<u>14,639</u>
	<u>784,072</u>	<u>374,059</u>	<u>163,684</u>	<u>1,321,815</u>
	<u>(79,819)</u>	<u>(152,249)</u>	<u>(148,604)</u>	<u>\$ 24,347</u>
	<u>39,865</u>	<u>-</u>	<u>-</u>	<u>39,865</u>
	<u>(49,267)</u>	<u>-</u>	<u>-</u>	<u>(49,267)</u>
	<u>(9,402)</u>	<u>-</u>	<u>-</u>	<u>(9,402)</u>
	<u>\$ (89,221)</u>	<u>-</u>	<u>-</u>	<u>\$ (89,221)</u>
	<u>81,881</u>	<u>-</u>	<u>-</u>	<u>81,881</u>
	<u>(122,283)</u>	<u>-</u>	<u>-</u>	<u>(122,283)</u>
	<u>(40,402)</u>	<u>-</u>	<u>-</u>	<u>(40,402)</u>
	<u>\$ 264,263</u>	<u>-</u>	<u>-</u>	<u>\$ 264,263</u>

**OPERATING EXPENSES**

Wages  
Supplies and lab tests  
Payroll taxes and employee benefits  
Pension expense  
Bad debts (recoveries)  
Depreciation and amortization  
Subcontractors  
Utilities and telephone  
Repairs and maintenance  
Professional fees  
Insurance  
Miscellaneous

**NONOPERATING INCOME AND EXPENSE**

Interest  
Interest expense  
Total nonoperating income and expense

**NET INCOME (LOSS)**

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

LAKENGREN WATER AUTHORITY  
STATEMENTS OF CHANGES IN FUND EQUITY  
FOR THE YEARS ENDED MARCH 31, 2000 AND 1999

	<u>Contributed Capital</u>	<u>Retained Earnings</u>
Balance, March 31, 1998	\$ 52,960	\$ 1,118,605
Contributed capital - acquisition of sewer system	6,171,550	-
Net income for the year	-	264,263
Depreciation of acquired sewer system plant & equipment	(108,417)	108,417
Amortization of assessments for water meter installation	<u>(14,443)</u>	<u>14,443</u>
Balance, March 31, 1999	6,101,650	1,505,728
Net loss for the year	-	(89,221)
Amortization of assessments for water meter installation	(14,443)	14,443
Depreciation of acquired sewer system plant and equipment	<u>(216,664)</u>	<u>216,664</u>
Balance, March 31, 2000	\$ <u>5,870,543</u>	\$ <u>1,647,614</u>

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

LAKENGREN WATER AUTHORITY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2000 AND 1999

	<u>2000</u>	<u>1999</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net income	\$ <u>(89,221)</u>	\$ <u>264,263</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	304,841	227,263
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	300	(53,700)
Decrease in accrued interest	-	5,600
(Increase) decrease in prepaid expenses	12,872	(12,872)
Increase in inventory	(8)	(32,243)
Decrease in deferred assets	6,995	9,168
Increase (decrease) in accounts payable	(13,802)	19,792
Decrease in contracts payable	-	(35,767)
Increase in accrued expenses	4,761	7,863
(Increase) decrease in deferred amount on refunding	<u>4,704</u>	<u>(25,492)</u>
Total adjustments	<u>320,663</u>	<u>109,612</u>
Net cash provided by operating activities	<u>231,442</u>	<u>373,875</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Capital expenditures	(243,204)	(9,631)
Issuance of bonds payable	-	811,000
Payments of bonds payable	(70,000)	(1,025,000)
Payment of loan	<u>-</u>	<u>(100,000)</u>
Net cash used in capital and related financing activities	<u>(313,204)</u>	<u>(323,631)</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	(81,762)	50,244
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>943,559</u>	<u>893,315</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	\$ <u>861,797</u>	\$ <u>943,559</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR:</u>		
Held as current assets	\$ 737,328	\$ 819,763
Held in bond retirement trust accounts	<u>124,469</u>	<u>123,796</u>
	\$ <u>861,797</u>	\$ <u>943,559</u>
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</u>		
Acquisition of sewer system assets and recognition of related contributed capital		
	\$ <u>-</u>	\$ <u>6,171,550</u>

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

LAKENGREN WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY - The Authority is a political subdivision of Preble County, Ohio. The trustees are appointed by the Lakengren Property Owners Association for 3-year terms and are full-time resident property owners in the Lakengren community.

NATURE OF OPERATIONS - The Authority operates a potable water production and distribution system and a wastewater collection and treatment system for the Lakengren community.

USE OF ESTIMATES - The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BASIS OF ACCOUNTING - The financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies all standards issued by the Financial Accounting Standards Board, regardless of issue date, provided they do not conflict with or contradict GASB pronouncements.

The financial statements are prepared on the accrual basis of accounting. Revenues are recognized when earned, while expenses are recognized when incurred.

FUNCTIONAL ALLOCATION OF EXPENSES - The costs of providing water and sewer services and conducting general operations (principally billing, collection, and management oversight) have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the activities benefited based upon usage by each activity.

INVENTORY - Inventories, which consist primarily of water meters and water and sewer repair parts, are valued at the lower of first-in, first-out cost or market. Inventories are expensed as consumed.

UTILITY PLANT - Assets with a cost exceeding \$1,000 are recorded at cost and depreciation is computed principally using the straight-line method over the estimated useful lives of the assets. Routine maintenance, repairs and renewals are charged to income as incurred. Renewals and betterments which substantially increase the life of an asset are capitalized. At retirement or sale, the cost of assets, less the related accumulated depreciation, is removed from the accounts and resulting gains or losses are included in income.

PENSION PLANS - All trustees and full-time employees are covered under the Public Employees' Retirement System maintained by the State of Ohio. All costs are paid as incurred.

LAKENGREN WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

DEFERRED CHARGES

Bond issue costs - Costs incurred to issue revenue bonds are capitalized and amortized on a straight-line basis over the redemption period.

Engineering costs - Costs incurred for engineering studies in connection with a wellhead protection plan are capitalized and amortized on a straight-line basis over 5 years.

COMPENSATED ABSENCES - The amounts of vacation and sick leave liabilities that are expected to be liquidated with expendable available financial resources are recorded as current liabilities. Remaining liabilities, if any, are recorded as long-term liabilities.

STATEMENT OF CASH FLOWS - For purposes of the statement of cash flows, the Authority considers all securities (principally Firststar Treasury funds) held in the Bond Retirement Trust and Construction Accounts to be the equivalent of cash.

CONTRIBUTED CAPITAL - Special assessments for capital improvements projects and the fair market value of assets contributed to the Authority are recorded as capital. The carrying value of such contributed capital is reduced by depreciation and amortization expense related to such assets.

2. CASH AND INVESTMENTS

The Authority maintains cash and investment accounts as described on the Balance Sheet. Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at cost. Interest is recognized and recorded when earned.

Legal Requirements: Statutes require the classification of monies held by the Authority into three categories. Category 1 consists of "active" monies, required to be kept in a "cash" or "near-cash" status for immediate use by the Authority. Such monies must be maintained either as cash in the Authority treasury or in depository accounts withdrawable or payable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" monies, not required for use within the current period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" monies, which are not needed for immediate use but will be needed before the end of the current period of depositories. Interim monies may be invested or deposited in the following securities:

Bonds, notes, debentures, or other obligations of, or guaranteed by, the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;

LAKENGREN WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. CASH AND INVESTMENTS, continued

Bonds, notes, debentures, or other obligations or securities issued by any federal government agency (excluding certain mortgage-backed securities), or by the Export-Import Bank of Washington;

Repurchase agreements in the securities enumerated above;

Interim deposits in the eligible institutions applying for interim monies;

Bonds and other obligations of the State of Ohio; and

The State Treasurer's Investment Pool.

Deposits: At March 31, 2000, the Authority's bank balance was \$5,875, held in a bank checking account covered by federal depository insurance. An additional \$250 was held in an imprest petty cash fund.

Investments: The Authority's investments at March 31, 2000, are categorized below to indicate the level of risk assumed by the Authority at year-end. The categories correspond to those described above.

	<u>Carrying value</u>	<u>Market value</u>
Category 1:	\$160,099	\$160,099
Category 2:	\$571,104	\$571,104
Category 3:	\$124,469	\$124,469

Of the total \$861,797 deposits and investments, \$300,000 was covered by federal depository insurance, none was invested in U.S. Treasury notes, and \$561,547 was covered by collateral held in the pledging banks' trust departments in the Authority's name.

3. ACQUISITION OF LAKENGREN SEWER DISTRICT

On October 1, 1998, the Authority assumed operating control of the Lakengren Sewer District (a component of the Preble County government) from the Preble County Commissioners. In connection with this assumption, the Commissioners transferred all operating assets of the District to the Authority. These assets were recorded at estimated fair market values as of the transfer date, and an equivalent amount of contributed capital was recognized. The contributed capital will be reduced as the related assets are depreciated. Assets acquired consist of:

Sewer system and treatment plant	\$ 6,050,000
Land	30,000
Equipment	55,000
Vehicles	<u>36,550</u>
Total	\$ <u>6,171,550</u>

LAKENGREN WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

4. CONSTRUCTION IN PROGRESS

Construction in progress at March 31, 2000 consists of:

	<u>Estimated Completion Date</u>	<u>Estimated Total Cost</u>	<u>Cost Incurred 3/31/00</u>
<u>Water Plant</u>			
Filter replacement (currently in engineering phase - total cost of replacemnt not estimable)	Not Known	Not Known	\$ 5,886
<u>Sewer Plant</u>			
Sludge bed modification	4/15/00	\$ 60,000	56,298
Installation of downdraft mixer in holding tank	4/15/00	18,000	14,408
Installation of backup generators at 4 lift stations	4/15/00	65,000	61,099
Construction of pole barn	6/30/00	50,000	<u>15,065</u>
Total construction in progress			\$ <u>152,756</u>

5. REVENUE BONDS

On September 1, 1998, the Authority sold an \$845,000 issue of revenue bonds with an average interest rate of 5.06% to advance refund \$960,000 of outstanding 1989 Series bonds with an average interest rate of 8.50%. The net proceeds of \$811,000 (after payment of \$34,000 in underwriting fees and issuance costs) plus an additional \$218,712 of Authority funds were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1989 Series bonds. As a result the 1989 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Authority's books and records.

The advance refunding resulted in a difference of \$27,900 between the reacquisition price and the net carrying amount of the old debt. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2008 using the effective-interest method. The Authority completed the advance refunding to reduce its total debt service payments through 2014 (the original payoff date for the 1989 Series bonds) by \$664,826 and thereby obtain an economic gain (difference between the present values of the old and new debt service payments) of \$51,494.

The 1998 Series bonds are repayable in unequal annual installments through March 1, 2008. Projected maturities of the bonds (without regard to the deductions for the advance refunding difference discussed above) are \$75,000 in 2001, \$80,000 in 2002 and 2003, \$85,000 in 2004, \$90,000 in 2005, and increasing to \$105,000 per year through 2008.

Cash payments of \$49,267 in 2000, and \$116,377 in 1999 were made for interest.

At March 31, 2000, Firststar Bank, Cincinnati, Ohio held cash and government money funds totalling \$124,469 in the Bond Retirement Trust Account. These funds will be used to redeem the bonds due in 2001, and to pay interest due in 2001.

LAKENGREN WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

6. RETIREMENT SYSTEM

The Authority contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement benefits, disability, and death benefits based on eligible service credit to 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 for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215.

Pension Benefit Obligation

Pension contribution requirements for 2000, 1999, and 1998 were:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Authority pension contribution	\$ 19,157	\$ 13,803	\$ 7,715
Employee pension contribution	<u>17,415</u>	<u>12,548</u>	<u>7,770</u>
Total pension contribution	\$ <u>36,572</u>	\$ <u>26,351</u>	\$ <u>15,485</u>
Authority health contribution	\$ <u>7,655</u>	\$ <u>6,677</u>	\$ <u>4,671</u>
Authority contribution rate:			
Pension obligation	9.35%	9.35%	8.44%
Retiree health care	<u>4.20%</u>	<u>4.20%</u>	<u>5.11%</u>
Total Authority contribution rate	<u>13.55%</u>	<u>13.55%</u>	<u>13.55%</u>
Employee contribution rate	<u>8.5%</u>	<u>8.5%</u>	<u>8.5%</u>

The Public Employees Retirement System of Ohio (the System) provides post-retirement 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. A portion of each employer's contribution to the System is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2000 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 pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. 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 the System was 118,062.

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

LAKENGREN WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

7. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2000, the Authority contracted with Reliance Insurance Company for various types of insurance as follows:

<u>Type of Coverage</u>	<u>Deductible</u>
Commercial Property	500
General Liability	0
Automobile Liability	0
Automobile Comprehensive	0
Automobile Collision	500
Machinery	1,000
Errors and Omissions	1,000
Fidelity Bond	0

The amount of settlements did not exceed the coverage for each of the past three years. There have been no significant reductions in insurance coverage from last year.

The Authority pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

8. CONTINGENCIES AND COMMITMENTS

At March 31, 2000, the Authority is a co-defendant (along with the Ohio Bureau of Workers' Compensation) in a lawsuit brought by a trustee relating to a disallowed workers' compensation injury claim. Management believes the Authority will incur no direct monetary liability if the trustee prevails. While the Authority's workers' compensation rate may increase if the trustee prevails, management does not believe that such an increase would be significant.

9. RECLASSIFICATION OF 1999 FINANCIAL STATEMENTS

In order to promote comparability, the 1999 financial statements have been reclassified to conform to the current presentation. There are no substantive changes in the amounts originally reported.

10. APPOINTED OFFICIALS

Board of Trustees

<u>Name</u>	<u>Position</u>	<u>Date of Expiration</u>
Bobby E. Morefield	Chairman	December 31, 2002
Thomas E. Pierce	Secretary	December 31, 2001
Oliver Sumlin	Treasurer	December 31, 2000

Office Manager: Linda M. Spitler

Legal Counsel: Augustus L. Ross III, Attorney-at-law  
12 E. Dayton Street  
West Alexandria, Ohio 45381

Office Address: Lakengren Water Authority  
209 Lakengren Drive West  
Eaton, Ohio 45320-2858

# Hoover & Roberts, Inc.

*Certified Public Accountants*

May 10, 2000

To the Board of Trustees  
Lakengren Water Authority  
Eaton, Ohio

## Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the financial statements of Lakengren Water Authority as of and for the year ended March 31, 2000, and have issued our report thereon dated May 10, 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 Lakengren Water Authority'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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lakengren Water Authority'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.

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

*Hoover & Roberts, Inc.*

LAKENGREN WATER AUTHORITY - PREBLE COUNTY  
CONCLUSION STATEMENT

The audit report was reviewed with Lakengren Water Authority officials on June 19, 2000.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
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800-282-0370  
Facsimile 614-466-4490

LAKEGREN WATER AUTHORITY  
PREBLE 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.**

By: Susan Babbitt

Date: JULY 18, 2000