

**LAKENGREN
WATER AUTHORITY**

General Purpose Financial Statements
(Audited)

For The Fiscal Year Ended

March 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
209 Lakengren Drive West
Eaton, Ohio 45320-2858

We have reviewed the independent auditor's report of the Lakengren Water Authority, Preble County, prepared by Trimble, Julian & Grube, Inc., for the audit period April 1, 2000 through March 31, 2001. 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 29, 2001

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**LAKENGREN WATER AUTHORITY
PREBLE COUNTY, OHIO**

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TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Independent Auditor's Report

Board of Trustees
Lakengren Water Authority
209 Lakengren Drive West
Eaton, OH 45320-2858

We have audited the accompanying general purpose financial statements of the Lakengren Water Authority, Preble County, Ohio, (the "Authority"), as of and for the fiscal year ended March 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the Authority'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 Lakengren Water Authority, Ohio, as of March 31, 2001, and the results of its operations and the cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2001, 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 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.

Trimble, Julian & Grube, Inc.
May 18, 2001

**LAKENGREN WATER AUTHORITY
PREBLE COUNTY, OHIO**

BALANCE SHEET
MARCH 31, 2001

	2001
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents - unrestricted	\$ 763,605
Cash and cash equivalents - restricted	125,175
Total cash and cash equivalents	888,780
Accrued interest	7,900
Accounts receivable	95,875
Repair parts inventory	56,559
TOTAL CURRENT ASSETS	1,049,114
FIXED ASSETS	
Fixed Assets	8,219,525
Less: Accumulated Depreciation	(1,271,628)
Net Fixed Assets	6,947,897
Construction in progress	6,186
TOTAL FIXED ASSETS	6,954,083
DEFERRED ASSETS	
Unamortized bond issue costs	20,054
Engineering costs	1,970
TOTAL DEFERRED ASSETS	22,024
TOTAL ASSETS	\$ 8,025,221
LIABILITIES AND EQUITY	
CURRENT LIABILITIES	
Accounts payable	\$ 6,823
Long-term debt payable within one year	80,000
Accrued other expenses	27,189
TOTAL CURRENT LIABILITIES	114,012
LONG-TERM DEBT	
Revenue bonds payable	635,000
Less portion payable within one year	(80,000)
Less deferred amount on refunding	(16,491)
TOTAL LONG-TERM DEBT	538,509
TOTAL LIABILITIES	652,521
EQUITY	
Contributed capital	5,639,436
Retained earnings	1,733,264
TOTAL EQUITY	7,372,700
TOTAL LIABILITIES AND EQUITY	\$ 8,025,221

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**LAKENGREN WATER AUTHORITY
PREBLE COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN EQUITY
FOR THE FISCAL YEAR ENDED MARCH 31, 2001**

	Water	Sewer	General	Total
OPERATING REVENUES	\$ 463,895	\$ 228,243	\$ 14,922	\$ 707,060
OPERATING EXPENSES				
Wages	64,600	67,871	87,124	219,595
Payroll taxes and employee benefits	9,047	9,505	12,201	30,753
Pension expense	6,891	7,240	9,294	23,425
Supplies and lab tests	27,747	24,120	14,604	66,471
Bad debts (recoveries)	-	-	884	884
Depreciation and amortization	86,622	222,462	8,040	317,124
Subcontractors	620	861	83	1,564
Utilities and telephone	24,112	37,382	4,397	65,891
Repairs and maintenance	12,732	69,284	7,130	89,146
Professional fees	1,118	5,043	7,126	13,287
Insurance	-	-	13,746	13,746
Miscellaneous	324	2,048	2,710	5,082
Total operating expenses	233,813	445,816	167,339	846,968
Net operating income (loss)	230,082	(217,573)	(152,417)	(139,908)
NONOPERATING INCOME AND EXPENSE				
Interest	-	-	39,706	39,706
Interest expense	-	-	(45,255)	(45,255)
Total nonoperating income and expense	-	-	(5,549)	(5,549)
NET INCOME (LOSS)	\$ 230,082	\$ (217,573)	\$ (157,966)	(145,457)
RETAINED EARNINGS, APRIL 1, 2000				1,647,614
DEPRECIATION - CONTRIBUTED CAPITAL				231,107
RETAINED EARNINGS, MARCH 31, 2001				\$ 1,733,264
CONTRIBUTED CAPITAL, APRIL 1, 2000				5,870,543
DEPRECIATION - CONTRIBUTED CAPITAL				(231,107)
CONTRIBUTED CAPITAL, MARCH 31, 2001				\$ 5,639,436

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**LAKENGREN WATER AUTHORITY
PREBLE COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED MARCH 31, 2001

	2001
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Loss	\$ (139,908)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation and amortization	317,124
Change in assets and liabilities:	
Increase in accounts receivable	(3,475)
Increase in inventory	(454)
Decrease in deferred assets	6,497
Decrease in accounts payable	(1,620)
Increase in accrued other expenses	(5,534)
Decrease in deferred amount on refunding	4,297
Net cash provided by operating activities	176,927
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(215,965)
Disposal of construction in progress	146,570
Principal retirement	(75,000)
Interest charges	(45,255)
Net cash used in capital and related financing activities	(189,650)
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	39,706
Net cash provided by investing activities	39,706
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 26,983
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	861,797
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 888,780

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**LAKENGREN WATER AUTHORITY
PREBLE COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2001**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Lakengren Water Authority (the “Authority”) was organized under the provisions of Section 6119 of the Ohio Revised Code (O.R.C.) by the Common Pleas Court of Preble County, Ohio, for the purpose of operating a potable water production and distribution system and a wastewater collection and treatment system for the Lakengren community. The Board of Trustees is responsible for the fiscal control of the assets and the operating funds of the Authority.

The Authority operates under a three member Board of Trustees who are appointed by the Lakengren Property Owners Association for 3-year terms. All members are full-time resident property owners in the Lakengren community. The Authority is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

Management believes the financial statements included in this report represent all of the funds of the Authority over which management has direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Authority’s accounting policies are described below.

A. REPORTING ENTITY

The Authority’s reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity”. The GPFS includes the fund for which the Authority is “accountable”. Accountability as described in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit’s (PCU) relationship with the Authority and whether exclusion would cause the Authority’s GPFS to be misleading or incomplete. Among the factors considered were: separate legal standing; appointment of a voting majority of PCU’s board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU’s relationship with the Authority.

**LAKENGREN WATER AUTHORITY
PREBLE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Based on the foregoing criteria, there were no PCU's for the years reported on in the GPFS in accordance with GASB Statement No. 14.

B. 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 Revenues, Expenses and Changes in Equity". Accordingly, certain costs have been allocated among the activities benefitted based upon usage by each activity.

C. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Authority are maintained on the basis of fund accounting. The operations of this fund are accounted for with a set of self-balancing accounts that are comprised of its assets, liabilities, fund equity or accumulated deficit, as appropriate, and revenues and expenses. The following fund type is used by the Authority:

PROPRIETARY FUND:

A proprietary fund is used to account for all the Authority's ongoing activities which are similar to those found in the private sector. The following proprietary fund type is utilized by the Authority:

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Authority had the following significant enterprise fund:

Water and Sewer Fund - This fund receives charges for services from residents to cover the cost of providing these utilities.

**LAKENGREN WATER AUTHORITY
PREBLE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The Authority prepares its financial statements on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Unbilled water and sewer utility service receivables are recognized as revenue at year end.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. This measurement focus emphasizes the determination of net income.

Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

E. INVENTORY

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

F. CASH AND CASH EQUIVALENTS

For reporting purposes, the Authority considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Authority with a maturity date less than or equal to three months from the date of purchase. Interest income earned by the Authority totaled \$39,706 for the fiscal year ended March 31, 2001.

G. BUDGETS

The Authority is required by State statute to adopt an annual appropriated cash basis budget. The specific timetable is as follows:

1. Prior to January 15 of the proceeding year, the Authority prepares a proposed operating budget for the year. The budget includes proposed expenses and the means of financing.

**LAKENGREN WATER AUTHORITY
PREBLE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. By the beginning of the fiscal year, the annual Appropriation Resolution is legally enacted by the Board of Trustees at the fund operating and debt level of expenses, which is the legal level of budgetary control. Resolution appropriations by fund must be within the estimated resources and the total of expenses may not exceed the appropriation total.
3. Any revision that alters the total of any fund appropriation must be approved by the Board of Trustees.
4. Formal budgetary integration is employed as a management control device during the year consistent with the general obligation bond indenture and other statutory provisions. The Authority's fund completed the year within the amount of their legally authorized cash basis appropriation.
5. Appropriation amounts are as originally adopted, or as amended by the Board of Trustees through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. Supplemental appropriations were legally enacted by the Board during fiscal year.

A summary of fiscal 2001 budgetary activity appears in Note 3. (Per OAG Opinion 99-020), beginning January 1, 2000 the Authority was required to follow budgetary procedures.

H. RESTRICTED CASH

The Authority maintains a restricted cash account. This restricted cash account relates to the Authority's Bond Retirement Account. These funds are used to pay required principal and interest charges due in the fiscal year ended March 31, 2002 and for the final payoff in 2008.

I. FIXED ASSETS AND DEPRECIATION

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.

**LAKENGREN WATER AUTHORITY
PREBLE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. 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.

K. 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.

L. STATEMENT OF CASH FLOWS

The Authority's financial statements have been prepared in accordance with GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less from the date of purchase to be cash equivalents.

M. FINANCIAL REPORTING FOR PROPRIETARY FUND TYPES

The Authority's financial statements have been prepared in accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." The Authority accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**LAKENGREN WATER AUTHORITY
PREBLE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. COMPENSATED ABSENCES

Compensated absences of the Authority consist of vacation and sick time to the extent that payment to the employees for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the Authority and the employees.

In accordance with provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if, a) the employees' rights to payment are attributable to services already rendered, and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

O. ESTIMATES

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

P. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 - BUDGETARY COMPLIANCE

Beginning January 1, 2000, the Authority was required to prepare annual appropriation resolutions and follow the applicable requirements outlined in the Ohio Revised Code. Budgetary activity on a cash basis for the fiscal year ended March 31, 2001:

Budgeted vs. Actual Receipts

Budgeted Receipts	\$722,901
Actual Receipts	<u>(743,291)</u>
Variance - Favorable	<u>\$ 20,390</u>

**LAKENGREN WATER AUTHORITY
PREBLE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2001

NOTE 3 - BUDGETARY COMPLIANCE - (Continued)

Budgeted vs. Actual Budgetary Basis Expenditures

Budgeted Expenditures	\$580,921
Actual Expenditures	<u>(577,956)</u>
Variance - Favorable	<u>\$ 2,965</u>

NOTE 4 - CASH AND CASH EQUIVALENTS

Monies held by the Authority are classified by State statute into two categories: active and inactive. Active monies are public monies determined to be necessary to meet current demand upon the Authority treasury. Active moneys 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.

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 treasurer 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.

Monies held by the Authority which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. United States Treasury Notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or 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;

**LAKENGREN WATER AUTHORITY
PREBLE COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2001**

NOTE 4 - CASH AND CASH EQUIVALENTS - (Continued)

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

The Authority may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, Authority, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons;
3. Obligations to the Authority.

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 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 treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

DEPOSITS

For the fiscal year ended March 31, 2001, the carrying amount of the Authority's deposits, were \$888,780 and the bank balance was \$900,189. Of the bank balance, \$457,390 was covered by federal depository insurance and the remaining balance of \$442,799 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees, pursuant to Ohio Revised Code Section 135.181, in single institution collateral pools securing all public funds on deposits with specific depository institutions. Although all state statutory requirements for the deposit of money has been followed, non-compliance with federal requirements could potentially subject the Authority to a successful claim by the FDIC.

**LAKENGREN WATER AUTHORITY
PREBLE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2001

NOTE 4 - CASH AND CASH EQUIVALENTS - (Continued)

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

NOTE 5 - FIXED ASSETS

A summary of the Authority's fixed assets at March 31, 2001 are as follows:

	<u>2001</u>	
Land - Water	\$ 17,742	
Land - Sewer	30,000	
Land - Admin.	5,500	
Systems - Water	1,619,079	
Systems - Sewer	6,189,862	
Vehicles - Water	23,596	
Vehicles - Sewer	30,150	
Office Equipment - Admin.	63,226	
Operating Equipment - Water	71,142	
Operating Equipment - Sewer	70,780	
Buildings	<u>98,448</u>	
Total Fixed Assets	8,219,525	
Less: Accumulated Depreciation	<u>(1,271,628)</u>	
Net Fixed Assets	<u>\$ 6,947,897</u>	

NOTE 6 - CONSTRUCTION IN PROGRESS

Construction in progress at March 31, 2001, consists of:

	<u>Estimated Completion Date</u>	<u>Estimated Total Cost</u>	<u>Cost Incurred to Date</u>
<u>Water Plant</u>			
New Well Field Study	Not Known	Not Known	<u>\$6,186</u>
Total construction in progress			<u>\$6,186</u>

**LAKENGREN WATER AUTHORITY
PREBLE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2001

NOTE 7 - 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.

Cash payments of \$45,255 for the fiscal year ended March 31, 2001 were made for interest.

At March 31, 2001, Firststar Bank, Cincinnati, Ohio, held cash and government money funds totaled \$125,175 in the Bond Retirement Trust Account. These funds will be used to redeem the bonds and to pay interest due in 2002 and for the final payoff in 2008. These funds are considered restricted cash and cash equivalents on the Authority's Balance Sheet.

At March 31, 2001 Bonds Payable consisted of the following issuances:

<u>Description</u>	<u>Balance at March 31, 2001</u>
1998 Water Resource Revenue Refunding Bonds, with varying denominations, bearing varying rates of interest per annum, principal payments are due annually on March 1 with interest payments due semi-annually on March 1 and September 1.	<u>\$635,000</u>
Total Bonds Payable at March 31, 2001	<u>\$635,000</u>

**LAKENGREN WATER AUTHORITY
PREBLE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2001

NOTE 7 - REVENUE BONDS - (Continued)

The annual activity for Bonds Payable is as follows:

<u>Description</u>	<u>Amount</u>
Balance on March 1, 2000	\$710,000
Additions	0
Retirements	<u>(75,000)</u>
Balance on March 31, 2001	<u>\$635,000</u>

The principal and interest requirements to retire the long-term debt obligations outstanding at March 31, 2001, are as follows:

<u>Year Ending March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 80,000	\$ 30,294	\$110,294
2003	80,000	26,444	106,444
2004	85,000	22,369	107,369
2005	90,000	17,938	107,938
2006	95,000	13,197	108,197
2007 - 2008	<u>205,000</u>	<u>10,853</u>	<u>215,853</u>
Total	<u>\$635,000</u>	<u>\$121,095</u>	<u>\$756,095</u>

NOTE 8 - DEFINED BENEFIT PENSION PLAN

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

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

**LAKENGREN WATER AUTHORITY
PREBLE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2001

NOTE 8 - DEFINED BENEFIT PENSION PLAN - (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2000 was 8.5 percent for all employees. The employer contribution rate was 13.55 percent of covered payroll for 1998 and 1999. The employer contribution rate was rolled back for the year 2000. For local government employer units the rate was 10.84 percent of covered payroll; 4.3 percent was the portion used to fund health care for 2000. The Authority's contributions for pension obligations to the PERS for the years ended March 31, 2001, 2000, and 1999 were \$28,742, \$19,157, and \$13,803, respectively; 93 percent has been contributed for 2001 and 100 percent for 2000 and 1999. \$1,930, representing the unpaid contribution for 2001, is recorded as a liability.

NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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 and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the System is set-aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2000 employer contribution rate for local employers was 10.84 percent of covered payroll; 4.3 percent was the portion that was used to fund health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

**LAKENGREN WATER AUTHORITY
PREBLE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2001

**NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS -
(Continued)**

OPEB's are advance-funded on an actuarially determined basis. The number of active contributing participants was 401,339. \$10,805.5 million represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 1999 (the most recent data available). The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively. The Retirement Board initiated significant policy changes during 2000. The Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for both the state and local government divisions and 6% for law enforcement divisions. The Board reallocated employer contributions from 4.20% to 4.30% during the past year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the period for those reasons.

Additional information on the PERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the PERS December 31, 2000, Comprehensive Annual Financial Report.

NOTE 10 - 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

**LAKENGREN WATER AUTHORITY
PREBLE COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2001**

NOTE 10 - RISK MANAGEMENT - (Continued)

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.

NOTE 11 - COMPENSATED ABSENCES

Vacation and sick leave is earned at rates which vary depending upon the employee's length of service and standard work week. Current policy credits vacation and sick leave on a pay period basis except for new employees who are required to complete one year of service prior to their accrual becoming available. Authority employees are paid for earned, unused vacation leave at the time of termination.

Vacation and sick leave in the proprietary fund is recorded as an expense when earned, and the liability for unused amounts is shown as a fund liability. The total vested liability for accumulated unpaid vacation leave is 814 hours, totaling \$12,625 at March 31, 2001.

NOTE 12 - CONTRIBUTED CAPITAL

On October 26, 1998, the Authority assumed operating control of the Lakengren Sewer District (a component unit 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 is being reduced as the related assets are depreciated.

NOTE 13 - CONTINGENT LIABILITY

LITIGATION

The Authority is currently not involved in litigation that the management or its legal counsel anticipates a loss.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

Board of Trustees
Lakengren Water Authority
209 Lakengren Drive West
Eaton, OH 45320-2858

We have audited the general purpose financial statements of Lakengren Water Authority, Ohio, (the "Authority") as of and for the year ended March 31, 2001, and have issued our report thereon dated May 18, 2001. 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 Authority's general purpose 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 test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Lakengren Water Authority
Board of Trustees

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. However, we noted a matter involving the internal control over financial reporting, which we have reported to the management of Lakengren Water Authority in a separate letter dated May 18, 2001.

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

Trimble, Julian & Grube, Inc.
May 18, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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LAKENGREN 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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 24, 2001**