



**LORAIN COUNTY RURAL WASTEWATER DISTRICT
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000, 1999, 1998 & 1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LORAIN COUNTY RURAL WASTEWATER DISTRICT
LORAIN COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Report of Independent Accountants | 1 |
| Balance Sheets as of December 31, 2000, 1999, 1998 and 1997 | 3 |
| Statements of Income For the Years Ended December 31, 2000, 1999, 1998 and 1997 | 4 |
| Statements of Retained Earnings For the Years Ended December 31, 2000, 1999, 1998 and 1997 | 5 |
| Statements of Cash Flows For the Years Ended December 31, 2000, 1999, 1998 and 1997 | 6 |
| Notes to the Financial Statements | 9 |
| Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> | 17 |

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees
Lorain County Rural Wastewater District
Lorain County
22898 West Road
Wellington, Ohio 44090

We have audited the accompanying financial statements of the Lorain County Rural Wastewater District, Lorain County, Ohio, (LORCO) as of and for the years ended December 31, 2000, 1999, 1998 and 1997, as listed in the table of contents. These financial statements are the responsibility of LORCO's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 the Lorain County Rural Wastewater District, Lorain County, Ohio, as of December 31, 2000, 1999, 1998 and 1997, and the results of its operations and the cash flows of its proprietary fund type for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2001 on our consideration of LORCO'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 audits.

Jim Petro
Auditor of State

July 23, 2001

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LORAIN COUNTY RURAL WASTEWATER DISTRICT

BALANCE SHEETS

December 31, 2000, 1999, 1998 and 1997

| <u>ASSETS</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> |
|---|------------------------|------------------------|-------------------------|-------------------------|
| CURRENT ASSETS: (Note 1) | | | | |
| Cash and cash equivalents | \$ 7,331 | \$ 9,120 | \$ 14,803 | \$ 12,176 |
| | | | | |
| PROPERTY, PLANT, AND EQUIPMENT, AT COST: | | | | |
| Furniture and fixtures | 1,396 | 1,396 | 1,396 | 0 |
| Less: Accumulated depreciation | <u>(785)</u> | <u>(541)</u> | <u>(199)</u> | <u>0</u> |
| | <u>611</u> | <u>855</u> | <u>1,197</u> | <u>0</u> |
| | <u><u>\$ 7,942</u></u> | <u><u>\$ 9,975</u></u> | <u><u>\$ 16,000</u></u> | <u><u>\$ 12,176</u></u> |
| | | | | |
| <u>LIABILITIES AND RETAINED EARNINGS</u> | | | | |
| | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts payable | \$ 89,135 | \$ 34,302 | \$ 9,328 | \$ 11,153 |
| Accrued interest | <u>35,658</u> | <u>22,099</u> | <u>9,297</u> | <u>0</u> |
| | 124,793 | 56,401 | 18,625 | 11,153 |
| | | | | |
| LONG-TERM DEBT: (Note 2) | | | | |
| Notes payable | 254,827 | 244,827 | 228,554 | 141,845 |
| | | | | |
| RETAINED EARNINGS | <u>(371,678)</u> | <u>(291,253)</u> | <u>(231,179)</u> | <u>(140,822)</u> |
| | <u><u>\$ 7,942</u></u> | <u><u>\$ 9,975</u></u> | <u><u>\$ 16,000</u></u> | <u><u>\$ 12,176</u></u> |

The accompanying notes are an integral part of the financial statements. See Accountants' Report.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENTS OF INCOME

December 31, 2000, 1999, 1998 and 1997

| | 2000 | 1999 | 1998 | 1997 |
|-----------------------------|--------------------|--------------------|--------------------|---------------------|
| OPERATING EXPENSES: | | | | |
| Administration expense | \$ 19,363 | \$ 21,867 | \$ 35,600 | \$ -0- |
| Bank fees | -0- | -0- | 93 | -0- |
| Committee meeting expense | -0- | -0- | 335 | -0- |
| Depreciation expense | 244 | 342 | 199 | -0- |
| Engineering expense | 5,307 | 11,877 | 17,978 | 69,338 |
| Honorarium expense | -0- | -0- | 2,070 | -0- |
| Insurance | 500 | 550 | 500 | 500 |
| Interest expense | 13,560 | 12,802 | 9,297 | -0- |
| Legal and professional fees | 36,829 | 8,478 | 18,612 | 70,622 |
| Mileage expense | 457 | 271 | 807 | -0- |
| Office supplies and expense | 633 | 454 | 859 | 476 |
| Postage expense | 500 | 411 | 462 | -0- |
| Building rent | 2,400 | 2,400 | 2,400 | -0- |
| Telephone | 632 | 622 | 1,145 | -0- |
| | (80,425) | (60,074) | (90,357) | (140,936) |
| LOSS FROM OPERATIONS | | | | |
| OTHER INCOME: | | | | |
| Interest income | -0- | -0- | -0- | 114 |
| NET LOSS | \$ (80,425) | \$ (60,074) | \$ (90,357) | \$ (140,822) |

The accompanying notes are an integral part of the financial statements. See Accountants' Report.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENTS OF RETAINED EARNINGS

December 31, 2000, 1999, 1998 and 1997

| | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> |
|-----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| BALANCE - Beginning of year | \$ (291,253) | \$ (231,179) | \$ (140,822) | \$ 0 |
| DEDUCTION - Net loss | <u>(80,425)</u> | <u>(60,074)</u> | <u>(90,357)</u> | <u>(140,822)</u> |
| BALANCE - End of year | <u><u>\$ (371,678)</u></u> | <u><u>\$ (291,253)</u></u> | <u><u>\$ (231,179)</u></u> | <u><u>\$ (140,822)</u></u> |

The accompanying notes are an integral part of the financial statements. See Accountants' Report.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF CASH FLOWS

December 31, 2000, 1999, 1998 and 1997

| | <u>2000</u> | <u>1999</u> |
|---|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Loss from operations | \$ (80,425) | \$ (60,074) |
| Adjustments to reconcile net loss from operations to net cash provided by operating activities: | | |
| Depreciation | 244 | 342 |
| Increase (decrease) in: | | |
| Accounts payable | 54,832 | 24,974 |
| Accrued expenses | 13,560 | 12,802 |
| Net cash used in operating activities | <u>(11,789)</u> | <u>(21,956)</u> |
| | | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Purchase of property and equipment | -0- | -0- |
| Repayment of long-term debt | -0- | -0- |
| Proceeds from long-term debt | 10,000 | 16,273 |
| Net cash provided by capital and related financing activities | <u>10,000</u> | <u>16,273</u> |
| | | |
| INCREASE (DECREASE) IN CASH | (1,789) | (5,683) |
| | | |
| CASH AND CASH EQUIVALENTS - Beginning of year | <u>9,120</u> | <u>14,803</u> |
| | | |
| CASH AND CASH EQUIVALENTS - End of year | <u>\$ 7,331</u> | <u>\$ 9,120</u> |

The accompanying notes are an integral part of the financial statements. See Accountants' Report.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF CASH FLOWS

December 31, 2000, 1999, 1998 and 1997

| <u>1998</u> | <u>1997</u> |
|------------------|------------------|
| \$ (90,357) | \$ (140,822) |
| 199 | -0- |
| (1,825) | 11,153 |
| 9,297 | -0- |
| <u>(82,686)</u> | <u>(129,669)</u> |
| (1,396) | -0- |
| (14,285) | -0- |
| <u>100,994</u> | <u>141,845</u> |
| <u>85,313</u> | <u>141,845</u> |
| 2,627 | 12,176 |
| <u>12,176</u> | <u>-0-</u> |
| <u>\$ 14,803</u> | <u>\$ 12,176</u> |

The accompanying notes are an integral part of the financial statements. See Accountants' Report.

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LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2000, 1999, 1998 and 1997

Note 1. Summary of Significant Accounting Policies:

LORCO Rural Wastewater District, a regional sanitary sewer district, is a political subdivision of the State of Ohio. The district was incorporated as a corporation for the purpose of providing for the collection, treatment, and disposal of waste water within and without the district. The district is exempt from federal income tax. The district operates under a Board of Trustees which consists of as many members as equals the total number of villages and townships within this regional water district. LORCO Rural Wastewater District is currently in the process of planning and developing a system for servicing future customers. The following is a summary of significant accounting policies:

A. Introduction:

The financial statements of the district are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The district applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

B. Basis of Accounting:

LORCO Rural Wastewater District prepares its financial statements on an accrual basis. By virtue of its by-laws, the district is required to make appropriations in accordance with budgetary policies.

C. Budgetary Process:

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

Appropriations - After the budget is approved by the Board, the Board then makes appropriations of funds in accordance with said budget. Thereafter, the General Manager has the authority to authorize payment of any disbursement not to exceed \$10,000, provided there are sufficient funds appropriated and remaining in the account of the fund from which payment will be made. The Board may, from time-to-time, amend or supplement said appropriation of funds and may also transfer any part of an unencumbered balance of an appropriation of any fund to any purpose or object for which the appropriation for the current fiscal year has proved insufficient.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2000, 1999, 1998 and 1997

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

D. Property and Equipment:

Property and equipment, including major renewals or betterments, are capitalized and stated at cost. Depreciation is provided on the straight-line method based on the estimated useful lives of the various classes of assets.

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

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

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

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

Depreciation expense for the years ended December 31, 2000, 1999, 1998 and 1997 was \$244, \$342, \$199, and \$-0-, respectively.

A summary of changes in property, plant, and equipment for the year ended December 31, 2000, is as follows:

| | Balance December 31, 1999 | Additions | Deletions | Balance December 31, 2000 |
|-------------------------------------|---------------------------------|-----------|-----------|---------------------------------|
| Land and easements | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| Buildings | -0- | -0- | -0- | -0- |
| Furniture and fixtures | 1,396 | -0- | -0- | 1,396 |
| Vehicles and distribution equipment | -0- | -0- | -0- | -0- |
| | \$ 1,396 | \$ -0- | \$ -0- | \$ 1,396 |

A summary of changes in property, plant, and equipment for the year ended December 31, 1999, is as follows:

| | Balance December 31, 1998 | Additions | Deletions | Balance December 31, 1999 |
|-------------------------------------|---------------------------------|-----------|-----------|---------------------------------|
| Land and easements | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| Buildings | -0- | -0- | -0- | -0- |
| Furniture and fixtures | 1,396 | -0- | -0- | 1,396 |
| Vehicles and distribution equipment | -0- | -0- | -0- | -0- |
| | \$ 1,396 | \$ -0- | \$ -0- | \$ 1,396 |

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2000, 1999, 1998 and 1997

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

D. Property and Equipment (Continued):

A summary of changes in property, plant, and equipment for the year ended December 31, 1998, is as follows:

| | Balance December 31, 1997 | Additions | Deletions | Balance December 31, 1998 |
|-------------------------------------|---------------------------------|-----------------|---------------|---------------------------------|
| Land and easements | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| Buildings | -0- | -0- | -0- | -0- |
| Furniture and fixtures | -0- | 1,396 | -0- | 1,396 |
| Vehicles and distribution equipment | -0- | -0- | -0- | -0- |
| | <u>\$ -0-</u> | <u>\$ 1,396</u> | <u>\$ -0-</u> | <u>\$ 1,396</u> |

E. Statements of Cash Flows:

For purposes of the Statements of Cash Flows, all liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

F. Use of Estimates:

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

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2000, 1999, 1998 and 1997

Note 2. Long-Term Debt:

A summary of long-term debt for the period ended December 31, 2000, is as follows:

| Description | Balance January 1, 2000 | Borrowed | Repaid | Balance December 31, 2000 |
|--|-------------------------------|------------------|---------------|---------------------------------|
| LORCO Rural Wastewater District has a line of credit with the Ohio Water Development Authority of \$791,856 with \$592,029 unused. Interest will begin accruing on January 1, 1998 at 6.11% per annum. This note is being paid in one balloon payment of principal plus interest due January 2003. | \$ 199,827 | | \$ -0- | \$ 199,827 |
| LORCO Rural Wastewater District borrowed \$5,000 from Carlisle Township in March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 5,000 | | | 5,000 |
| LORCO Rural Wastewater District borrowed \$10,000 from Eaton Township in March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 10,000 | | | 10,000 |
| LORCO Rural Wastewater District borrowed \$5,000 from LaGrange Township in March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 5,000 | | | 5,000 |
| LORCO Rural Wastewater District borrowed \$5,000 from New Russia Township in March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 5,000 | \$ 5,000 | | 10,000 |
| LORCO Rural Wastewater District borrowed \$5,000 from Elyria Township in March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 5,000 | | | 5,000 |
| LORCO Rural Wastewater District borrowed \$5,000 from Lorain Health Board in March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 5,000 | | | 5,000 |
| LORCO Rural Wastewater District borrowed \$10,000 from Lorain-Medina Rural Electric Cooperative, Inc. in March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 10,000 | 5,000 | | 15,000 |
| | <u>\$ 244,827</u> | <u>\$ 10,000</u> | <u>\$ -0-</u> | <u>\$ 254,827</u> |

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2000, 1999, 1998 and 1997

Note 2. Long-Term Debt (Continued):

A summary of long-term debt for the period ended December 31, 1999, is as follows:

| Description | Balance January 1, 1999 | Borrowed | Repaid | Balance December 31, 1999 |
|--|-------------------------------|------------------|---------------|---------------------------------|
| LORCO Rural Wastewater District has a line of credit with the Ohio Water Development Authority of \$791,856 with \$592,029 unused. Interest will begin accruing on January 1, 1998 at 6.11% per annum. This note is being paid in one balloon payment of principal plus interest due January 2003. | \$ 193,554 | \$ 6,273 | \$ -0- | \$ 199,827 |
| LORCO Rural Wastewater District borrowed \$5,000 from Carlisle Township on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 5,000 | | | 5,000 |
| LORCO Rural Wastewater District borrowed \$10,000 from Eaton Township on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 10,000 | | | 10,000 |
| LORCO Rural Wastewater District borrowed \$5,000 from LaGrange Township on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 5,000 | | | 5,000 |
| LORCO Rural Wastewater District borrowed \$5,000 from New Russia Township on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 5,000 | | | 5,000 |
| LORCO Rural Wastewater District borrowed \$5,000 from Elyria Township on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 5,000 | | | 5,000 |
| LORCO Rural Wastewater District borrowed \$5,000 from Lorain Health Board on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 5,000 | | | 5,000 |
| LORCO Rural Wastewater District borrowed \$10,000 from Lorain-Medina Rural Electric Cooperative, Inc. on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | -0- | 10,000 | | 10,000 |
| | <u>\$ 228,554</u> | <u>\$ 16,273</u> | <u>\$ -0-</u> | <u>\$ 244,827</u> |

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2000, 1999, 1998 and 1997

Note 2. Long-Term Debt (Continued):

A summary of long-term debt for the period ended December 31, 1998, is as follows:

| Description | Balance January 1, 1998 | Borrowed | Repaid | Balance December 31, 1998 |
|--|-------------------------------|-------------------|------------------|---------------------------------|
| LORCO Rural Wastewater District has a line of credit with the Ohio Water Development Authority of \$791,856 with \$598,302 unused. Interest will begin accruing on January 1, 1998 at 6.11% per annum. This note is being paid in one balloon payment of principal plus interest due January 2003. | \$ 92,559 | \$ 100,995 | | \$ 193,554 |
| LORCO Rural Wastewater District borrowed \$5,000 from Carlisle Township on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 5,000 | | | 5,000 |
| LORCO Rural Wastewater District borrowed \$4,286 from Columbia Township on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 4,286 | | \$ 4,286 | -0- |
| LORCO Rural Wastewater District borrowed \$10,000 from Eaton Township on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 10,000 | | | 10,000 |
| LORCO Rural Wastewater District borrowed \$5,000 from LaGrange Township on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 5,000 | | | 5,000 |
| LORCO Rural Wastewater District borrowed \$5,000 from New Russia Township on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 5,000 | | | 5,000 |
| LORCO Rural Wastewater District borrowed \$5,000 from Elyria Township on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 5,000 | | | 5,000 |
| LORCO Rural Wastewater District borrowed \$5,000 from Lorain Health Board on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 5,000 | | | 5,000 |
| LORCO Rural Wastewater District borrowed \$10,000 from Lorain-Medina Rural Electric Cooperative, Inc. on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | 10,000 | | | -0- |
| | <u>\$ 141,845</u> | <u>\$ 100,995</u> | <u>\$ 14,286</u> | <u>\$ 228,554</u> |

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2000, 1999, 1998 and 1997

Note 2. Long-Term Debt (Continued):

A summary of long-term debt for the period ended December 31, 1997, is as follows:

| Description | Balance January 1, 1997 | Borrowed | Repaid | Balance December 31, 1997 |
|--|-------------------------------|-------------------|---------------|---------------------------------|
| LORCO Rural Wastewater District has a line of credit with the Ohio Water Development Authority of \$791,856 with \$699,297 unused. Interest will begin accruing on January 1, 1998 at 6.11% per annum. This note is being paid in one balloon payment of principal plus interest due January 2003. | \$ -0- | \$ 92,559 | \$ -0- | \$ 92,559 |
| LORCO Rural Wastewater District borrowed \$5,000 from Carlisle Township on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | | 5,000 | | 5,000 |
| LORCO Rural Wastewater District borrowed \$4,286 from Columbia Township on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | | 4,286 | | 4,286 |
| LORCO Rural Wastewater District borrowed \$10,000 from Eaton Township on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | | 10,000 | | 10,000 |
| LORCO Rural Wastewater District borrowed \$5,000 from LaGrange Township on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | | 5,000 | | 5,000 |
| LORCO Rural Wastewater District borrowed \$5,000 from New Russia Township on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | | 5,000 | | 5,000 |
| LORCO Rural Wastewater District borrowed \$5,000 from Elyria Township on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | | 5,000 | | 5,000 |
| LORCO Rural Wastewater District borrowed \$5,000 from Lorain Health Board on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | | 5,000 | | 5,000 |
| LORCO Rural Wastewater District borrowed \$10,000 from Lorain-Medina Rural Electric Cooperative, Inc. on March 1997 for the start-up/organization of this entity. Repayment is required when the construction loan is finalized. | | 10,000 | | 10,000 |
| | <u>\$ -0-</u> | <u>\$ 141,845</u> | <u>\$ -0-</u> | <u>\$ 141,845</u> |

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2000, 1999, 1998 and 1997

Note 3. Insurance:

The district maintains comprehensive insurance coverage which included Comprehensive General Liability, Wrongful Act Liability, and Automobile Liability.

Note 4. Leasing Arrangements:

The district leases office space from Lorain-Medina Rural Electric Cooperative, Inc. This lease is for a one year period beginning January 1, 1998 and may be renewed for an additional one year term upon agreement of both parties. The lease requires rent in the amount of \$200 per month. Rent expense for the years ended December 31, 2000, 1999, and 1998 was \$2,400, \$2,400, and \$2,400, respectively.

Note 5. Administrative Arrangements:

The district has retained the services of the Director of Economic and Community Development of Lorain-Medina Rural Electric Cooperative, Inc., as an independent contractor, to be the Executive Director of the district. This agreement shall be for six months beginning January 1, 1998 and may be extended upon mutual agreement of all parties. The district shall pay to Lorain-Medina Rural Electric Cooperative, Inc. an amount equal to one-half of Lorain-Medina Rural Electric Cooperative, Inc. cost of wages, benefits and any other charges or expenses on a monthly basis.



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Board of Trustees
Lorain County Rural Wastewater District
Lorain County
22898 West Road
Wellington, Ohio 44090

We have audited the financial statements of the Lorain County Rural Wastewater District, Lorain County, Ohio, (LORCO) as of and for the years ended December 31, 2000, 1999, 1998 and 1997, and have issued our report thereon dated July 23, 2001. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether LORCO'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 audits 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 certain immaterial instances of noncompliance that we have reported to management of LORCO in a separate letter dated July 23, 2001.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered LORCO'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 that does not require inclusion in this report, that we have reported to management of LORCO in a separate letter dated July 23, 2001.

Board of Trustees
Lorain County Rural Wastewater District
Lorain County
Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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.

Jim Petro
Auditor of State

July 23, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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LORAIN COUNTY RURAL WASTEWATER DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 13, 2001**