EAST MUSKINGUM WATER AUTHORITY
MUSKINGUM COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999

JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

EAST MUSKINGUM WATER AUTHORITY
MUSKINGUM COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

East Muskingum Water Authority
Muskingum County
P.O. Box 2005
Zanesville, Ohio 43702

To the Board of Trustees:

We have audited the accompanying financial statements of the East Muskingum Water Authority, Muskingum County, Ohio (the Authority), as of and for the year ended December 31, 1999. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 financial statements referred to above present fairly, in all material respects, the financial position of the East Muskingum Water Authority, Muskingum County, as of December 31, 1999, and the results of its operations and 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 November 22, 2000, 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.

Jim Petro
Auditor of State

November 22, 2000

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EAST MUSKINGUM WATER AUTHORITY
MUSKINGUM COUNTY

BALANCE SHEET
AS OF DECEMBER 31, 1999

	1999
Assets:	
Equity in Pooled Cash and Cash Equivalents	$291,555
Investments	284,621
Accounts Receivable	170,902
Restricted Assets:	
Cash and Cash Equivalents with Fiscal/Escrow Agents	1,326,828
Investments with Fiscal Agent	76,900
Inventory	48,088
Fixed Assets (Net of Accumulated Depreciation)	13,026,212
Prepaid Expenses	14,515
Total Assets	$15,239,621
Liabilities and Equity:	
Liabilities:	
Accounts Payable	$48,258
Accrued Wages and Benefits	61,439
Accrued Bond and Note Interest Payable	173,434
Unamortized Gain on Refinancing Bond Issues	273,661
Mortgage Revenue Bond Payable	1,040,000
Bond Anticipation Note Payable	5,400,000
Total Liabilities	6,996,792
Equity:	
Contributed Capital	2,900,061
Retained Earnings - Reserved:	
Reserved for Current Debt Service	119,496
Reserved for Future Debt Service	241,500
Reserved for Replacement and Improvement	100,000
Reserved for Surplus Account	926,080
Retained Earnings - Unreserved	3,955,692
Total Equity	8,242,829
Total Liabilities and Equity	$15,239,621

The notes to the financial statements are an integral part of this statement.

EAST MUSKINGUM WATER AUTHORITY
MUSKINGUM COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY
AS OF DECEMBER 31, 1999

	1999
Operating Revenues:	
Charges for Services	$2,103,076
Other Operating Revenue	379
Total Operating Revenues	2,103,455
Operating Expenses:	
Operating Expenses	993,436
Administrative Expenses	276,659
Depreciation Expense	376,230
Total Operating Expenses	1,646,325
Operating Income (Loss)	457,130
Non-Operating Revenue:	
Amortized Gain on Refinancing	49,757
Interest Income	84,201
Total Non-Operating Revenues	133,958
Non-Operating Expenses:	
Bond Interest Expense	110,250
Note Interest Expense	233,271
Total Non-Operating Expenses	343,521
Net Income (Loss)	247,567
Equity at Beginning of Year	5,095,201
Increase in Contributed Capital	0
Equity at End of Year	$5,342,768

The notes to the financial statements are an integral part of this statement.

EAST MUSKINGUM WATER AUTHORITY
MUSKINGUM COUNTY

STATEMENT OF CASH FLOWS
AS OF DECEMBER 31, 1999

	1999
Cash Flows from Operating Activities:	
Cash Received from Customers	$2,103,076
Other Operating Revenue	379
Cash Payments to Suppliers of Goods and Services	(920,183)
Cash Payments to Employees for Services	(349,913)
Net Cash Provided by Operating Activities	833,359
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Fixed Assets	(819,614)
Proceeds from Sale of Bond Anticipation Notes	1,540,000
Principal Paid on Revenue Bonds	(125,000)
Principal Paid on Bond Aniticipation Notes	(1,540,000)
Interest Paid on Bonds and Notes	(343,521)
Net Cash Provided by/Used for Capital and Related Financing Activities	(1,288,135)
Cash Flows from Investing Activities:	
Net Decrease in Investment Activities	347,145
Interest Earned on Investments	84,201
Net Cash Provided by/Used in Investing Activities	431,346
Net Increase/Decrease in Cash and Cash Equivalents	(23,430)
Equity in Pooled Cash and Cash Equivalents, January 1	1,641,813
Equity in Pooled Cash and Cash Equivalents, December 31	$1,618,383
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income(Loss)	$457,130
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	376,230
Change in Assets and Liabilities:	
(Increase) Decrease in Inventory	4,510
(Increase) Decrease in Accounts Receivable	(4,173)
(Increase) Decrease in Prepaid Expenses	3,500
Increase (Decrease) in Bond Payable	8,992
Increase (Decrease) in Accounts Payable	(20,049)
Increase (Decrease) in Accrued Liabilities	7,219
Total Adjustments	376,229
Net Cash Provided by Operating Activities	$833,359

The notes to the financial statements are an integral part of this statement.

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1. DESCRIPTION OF ENTITY

The East Muskingum Water Authority, Muskingum County, Ohio (the Authority), was established April 28, 1967, by journal entry in the Court of Common Pleas of Muskingum County, Ohio, to provide an adequate and uncontaminated water supply for the consumption of inhabitants, for industrial and business uses, and for fire protection. The Authority operates under an appointed Board of Trustees of seven members and is responsible for providing water to residents of the Authority area. The Authority services Falls, Hopewell, Licking, Muskingum, Perry, Salt Creek, Union, Washington and Wayne Townships, Muskingum County, Ohio. The water authority is organized and governed by the provisions of Chapter 6119 of the Ohio Revised Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made. The accounting policies of the Authority conform to generally accepted accounting principles.

Pursuant to GASB Statement No. 20: *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds and *Financial Accounting Standards Board Statements and Interpretations*, *Accounting Principles Board Opinions* and *Accounting Research Bulletins* issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Enterprise activity is accounted for in the manner similar to private business enterprises where the intent of management is that the costs and expenses of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges and where management has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control and accountability.

Enterprise funds are accounted for on the accrual basis of accounting with revenues recognized in the period earned and expenses recognized in the period incurred.

B. Cash and Cash Equivalents

To improve cash management, cash received by the Authority is pooled. Monies for all accounts are maintained in this pool. Individual account integrity is maintained through the Authority's records. Each account's interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents” and “Investments” on the balance sheet.

During 1999, investments were limited to a certificates of deposit and investments in treasury securities. These investments are stated at cost or amortized cost which approximates market. Investment procedures are restricted by provisions of the Ohio Revised Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Cash and Cash Equivalents (Continued)

The Authority utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in the accounts are presented on the Balance Sheet as "Cash and Cash Equivalents with Fiscal and Escrow Agents" and represents deposits or investments.

For the purposes of the statement of cash flows and for presentation of the balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

C. Restricted Assets

Restricted assets represent cash and cash equivalents and investments set aside in the fiscal agent's accounts to meet bond debt covenants.

D. Accounts Receivable

Accounts receivable are reflected at their gross value reduced by the estimated amount that expected to be uncollectible.

E. Property, Plant, Equipment, and Depreciation

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included or capitalized. Property, plant and equipment of the Authority are recorded at cost. Property, plant, and equipment donated are recorded at their estimated fair value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment reflected are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

Assets	Years
Water Wells	25
Water Systems	50
Buildings	40
Machinery / Equipment	5 / 10
Furniture / Fixtures	5
Vehicles	5

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Retained Earnings-Reserved

Reserves represent those portions of retained earnings legally segregated for a specific future use.

G. Contributed Capital

Contributed capital represents resources provided by other governments and private sources that is not subject to repayment.

3. EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the Authority into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Authority treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Authority Board has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of Authority District'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 money deposited with the institution.

Interim 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 and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAROhio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and

8. Under limited circumstances, corporate debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

Undeposited Cash At year end, the Authority had $500 in undeposited cash on hand which is included on the balance sheet of the Authority as part of "Cash and Cash Equivalents".

Restricted Cash with Fiscal /Escrow Agent At year end, the Authority had $1,387,076 on deposit with the trustee bank (fiscal agent), Chase Manhattan Trust. The trustee bank is responsible for maintaining adequate collateral. At year end, the Authority had $16,651 on deposit with First National Bank (escrow agent) for the Wayne Ridge Project. The Authority is responsible for maintaining adequate collateral.

Deposits At fiscal year end, the carrying amount of the Authority's deposits was $592,328 and the bank balance was $602,718. The bank balance was fully covered by federal depository insurance or by collateral held by the Authority's agent in the Authority's name.

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Investments The Authority's investments are required to be categorized to give an indication of the level of risk assumed by the Authority at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Authority's name.

At December 31, 1999, the Authority's investment balances were as follows:

	Category 2	Carrying Amount	Fair Value
Treasury Securities	$76,900	$76,900	$76,900

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9., "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	$1,618,383	$361,521
Undeposited Cash	(500)	0
Cash and Cash Equivalents with Fiscal Agent	(1,310,176)	0
Certificate of Deposit with Maturity > 90 days	284,621	(284,621)
GASB Statement 3	$592,328	$76,900

4. LONG-TERM OBLIGATIONS

Debt outstanding at December 31, 1999, consisted of the following:

Mortgage Revenue Bonds	
Principal Outstanding	$1,040,000
Interest Rate	10.0%

Mortgage revenue bonds are for construction of facilities for supply and distribution of water. Property and revenue of the utility facilities have been pledged to repay these debts.

The bond indentures have certain restrictive covenants and principally require that bond reserve funds be maintained and charges for fees to customers in sufficient amounts, as defined, to satisfy the obligations under indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal, and maintenance of properties in good condition.

The annual requirements to amortize all debt outstanding as of December 31, 1999, including interest payments of $391,500 are as follows:

Year Ending December 31:	Mortgage Revenue Bonds
2000	$239,000
2001	240,500
2002	240,500
2003	239,000
2004	236,000
2005-2009	236,500
Total	$1,431,500

The Authority passed a Resolution on July 8, 1985 to refinance all outstanding bonds. The redemption of the existing bonds was accomplished by purchase of U.S. government securities which are calculated to mature on a schedule which provides funds to retire these bonds as they mature and pay interest coupons as they become due, thus providing an insubstance defeasance. This debt is no longer presented as a liability on the financial statements.

4. LONG-TERM OBLIGATIONS (Continued)

Since the income yield on the U.S. government securities purchased to retire the existing bond issues was substantially higher than the interest rates on the bonds being redeemed, it was possible to redeem the bonds for an amount which was far less than their face amount. An account "Deferred Credit-Unamortized gain on refinancing bond issues" was established to record the gain on the refinancing. The amount in the account is being amortized over the twenty-four and one-half year remaining life of the 1985 bond issue from January 1, 1986 through July 1, 2010. The amounts amortized reduced interest expense by $49,756.68 each full year during the term of the 1985 bond issue.

5. NOTES PAYABLE

Notes outstanding at December 31, 1999, consisted of the following:

Bond Anticipation Notes	
Principal Outstanding	$5,400,000
Interest Rate	4.32%

The bond anticipation note was issued for the purpose of paying part of the costs of constructing a new water treatment plant, appurtenant improvements and other capital improvements. The notes will be repaid from revenues derived from the operation of the water system.

6. RISK MANAGEMENT

The Authority is exposed to various risks related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 1999, the Authority contracted with St. Paul Insurance Company for property and general liability insurance.

Vehicles are covered by St. Paul Insurance Company and hold a $250 deductible. Vehicle liability coverage has a $1,000,000 limit for collision and a $1,000,000 limit for bodily injury.

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.

Settled claims have not exceeded any aforementioned commercial coverage in any one of the past three years.

7. COMPENSATED ABSENCES

All full-time employees of the Authority earn vacation leave at varying rates depending on length of service. All accumulated, unused vacation leave time is paid upon separation.

8. DEFINED BENEFIT PENSION PLANS

Public Employees Retirement System

All full-time employees of the Authority participate in 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 and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the Authority is required to contribute 9.35 percent. Contribution rates are authorized by State Statute. The contribution rates are determined actuarially. The Authority's required contributions to PERS for the years ended December 31, 1999, 1998, and 1997 were $45,815, $46,019 and $38,502, respectively. The full amounts have been contributed for 1999, 1998 and 1997.

9. POSTEMPLOYMENT BENEFITS

Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipient 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 Number 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by state statute. The 1999 employer contribution rate was 13.55 percent of covered payroll for employees; 4.2 percent was the portion used to fund health care.

Benefits are funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1999, OPEB expenditures made by PERS were $523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were $9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPEB through PERS was 118,062.

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 costs rates were determined for retiree health coverage.

10. OTHER EMPLOYER BENEFITS

The Authority provides life insurance and accidental death insurance to its employees.

The Authority contracts with Community Health Plan of Ohio for hospitalization and prescription insurance for all employees and elected officials. The Authority pays 100 percent of the total monthly premiums which varies according to employee age and number of dependents.

Dental care coverage is provided by General Electric. Plans are paid from the same funds that pay the employees' salaries.

11. FIXED ASSETS

A summary of the Authority's fixed assets at December 31, 1999 is as follows:

Land	$100,554
Water Systems	11,419,451
Buildings	4,000,111
Furniture and Fixtures	21,348
Machinery and Equipment	164,429
Motor Vehicles	165,224
Total	15,871,117
Accumulated Depreciation	(2,844,905)
Net Fixed Assets	$13,026,212

11. FIXED ASSETS (Continued)

A summary of the changes in fixed assets during 1999 is as follows:

	Balance January 1, 1999	Additions	Deletions	Balance December 31, 1999
Land	$100,554	$	$	$100,554
Water Systems	10,694,807	724,644		11,419,451
Buildings	3,898,497	101,614		4,000,111
Furniture and Fixtures	23,170	281	2,103	21,348
Machinery and Equipment	169,251	8,790	13,612	164,429
Motor Vehicles	165,224			165,224
Total	$15,051,503	$835,329	$15,715	$15,871,117

12. CONTRIBUTED CAPITAL

During 1999, there were no changes to contributed capital reported by the Authority:

Balance at January 1	$2,900,061
Contributions	0
Balance at December 31	$2,900,061

STATE OF OHIO
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JIM PETRO, AUDITOR OF STATE

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

East Muskingum Water Authority
Muskingum County
P.O. Box 2005
Zanesville, Ohio 43702

To the Board Of Trustees:

We have audited the accompanying financial statements of the East Muskingum Water Authority, Muskingum County, Ohio (the Authority), as of and for the year ended December 31, 1999, and have issued our report thereon dated November 22, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the 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*. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of the Authority in a separate letter dated November 22, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Authority in a separate letter dated November 22, 2000.

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

Jim Petro
Auditor of State

November 22, 2000

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OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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EAST MUSKINGUM WATER AUTHORITY

MUSKINGUM 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
DECEMBER 19, 2000