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WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Wood County Regional Water and Sewer District
One Courthouse Square
P.O. Box 348
Bowling Green, Ohio 43402

We have reviewed the Independent Auditor's Report of the Wood County Regional Water and Sewer District, Wood County, prepared by Weber Obrien, Ltd., for the audit period January 1, 1999 through December 31, 1999. 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 Wood County Regional Water and Sewer District is responsible for compliance with these laws and regulations.



JIM PETRO
Auditor of State

July 6, 2000

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Wood County Regional Water and Sewer District
One Courthouse Square
P.O. Box 348
Bowling Green, Ohio 43402

We have audited the accompanying balance sheet of the Wood County Regional Water and Sewer District (District) as of December 31, 1999, and the related statements of revenues, expenses and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the District'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 District as of December 31, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 26, 2000 on our consideration of the District's internal controls over financial reporting and on 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.

The Board of Trustees
Wood County Regional Water and Sewer District
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Our audit was made for the purpose of forming an opinion on the financial statements of the Wood County Regional Water and Sewer District taken as a whole. The additional information on pages 21-23, which is presented for purposes of additional analysis is not a required part of the financial statements. Such additional information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole.

Weber & O'Brien, LTD.

April 26, 2000

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
BALANCE SHEET
DECEMBER 31, 1999

ASSETS

Current assets:

Cash and cash equivalents	\$ 3,576,218
Accounts receivable - trade	1,606,499
Accounts receivable - contract services	72,520
Special assessments receivable - current portion	278,490
Inventory	215,485
Prepaid expenses	22,968
Total current assets	<u>5,772,180</u>

Restricted assets:

Board restricted:

Cash and cash equivalents	770,903
Investments	1,569,817
Restricted for debt retirement:	
Cash and cash equivalents	783,483
Total restricted assets	<u>3,124,203</u>

Special assessments receivable	4,449,849
Reserve with County Commissioners	258,769
Deferred loan costs - net of accumulated amortization of \$29,670	53,081

Fixed assets:

Land	200,578
Sewer and water lines	86,305,688
Buildings, pumps and lift stations	4,708,682
Machinery and equipment	950,120
Vehicles	766,079
Furniture and fixtures	32,969
Computer equipment	194,276
Improvements-Oregon Waste Water Trtmt. Plant	3,210,965
Construction in progress	5,545,628
Total fixed assets	<u>101,914,985</u>

Accumulated depreciation and amortization	<u>(39,187,977)</u>
Net fixed assets	<u>62,727,008</u>

Total assets	<u>\$ 76,385,090</u>
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"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS"

LIABILITIES AND EQUITY

Current liabilities:

Notes payable	\$ 3,888,000
Current portion of long-term debt	547,089
Accounts payable - trade	189,224
Accounts payable - other	450,851
Compensated absences payable	87,986
Accrued payroll and payroll taxes	77,272
Accrued interest payable	325,353
Amounts due other governments	<u>242,834</u>

Total current liabilities 5,808,609

Long-term debt, less current portion 9,150,809

Total liabilities 14,959,418

Contingencies and commitments

Equity:

Contributed Capital	57,620,427
Retained earnings	<u>3,805,245</u>
Total equity	<u>61,425,672</u>

Total liabilities and equity \$ 76,385,090

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1999

Operating Revenues:

Utility revenue	\$ 3,942,049
Fees and permits	222,062
Contract services	56,564
Other	<u>30,461</u>
Total operating revenues	<u>4,251,136</u>

Operating Expenses:

Depreciation and amortization	2,212,855
Labor	933,952
Employee Benefits	312,550
Professional services	520,970
Purchased water	466,755
Materials and supplies	549,778
Utilities	256,206
Rent	28,592
Other	<u>63,918</u>
Total operating expenses	<u>5,345,576</u>

Operating revenues over (under) operating expenses	(1,094,440)
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Nonoperating revenues (expenses):

Interest income	582,197
Interest expense	(716,624)
Other	<u>42,476</u>
Net nonoperating revenues (expenses)	<u>(91,951)</u>

Net expense (over) under revenues	(1,186,391)
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Transfer to retained earnings current depreciation and amortization on assets acquired through contributed capital and capital grants	<u>1,687,210</u>
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Net change to retained earnings	500,819
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Retained Earnings - beginning	<u>3,304,426</u>
Retained Earnings - ending	<u>\$ 3,805,245</u>

"SEE INDEPENDENT AUDITORS' REPORT"

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WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 1999

CASH FLOWS FROM OPERATIONS:

Excess of operating expenses over revenues	\$ (1,094,440)
Adjustments to reconcile to net cash:	
Depreciation and amortization	2,212,855
Changes in operating assets and liabilities that increase (decrease) cash flows:	
Special assessments receivable	(233,285)
Accounts receivable	105,263
Inventory	16,558
Other	47,334
Accounts payable	26,655
Accrued payroll and payroll taxes	(40,714)
Amounts due other governments	134,647
Total adjustments	<u>2,269,313</u>
NET CASH PROVIDED BY OPERATIONS	<u>1,174,873</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING:

Capital contributed	1,478,701
Proceeds from capital grant	66,242
System development fees	650,939
Acquisition and construction of fixed assets, net of related payables	(2,479,630)
Proceeds on sale of fixed assets	8,100
Proceeds from issuance of short-term notes	6,688,000
Proceeds from issuance of long-term debt	500,000
Repayment of short-term notes	(8,318,500)
Repayment of long-term debt	(468,578)
Interest paid	(777,853)
NET CASH USED BY FINANCING	<u>(2,652,579)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	582,197
Proceeds on sale of investments	2,442,479
Purchases of investments	(2,043,653)
NET CASH PROVIDED BY INVESTING	<u>981,023</u>

DECREASE IN CASH AND CASH EQUIVALENTS (496,683)

Cash and cash equivalents - beginning of year 5,627,287

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 5,130,604

Restricted cash	\$ 1,554,386
Unrestricted cash	<u>\$ 3,576,218</u>

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
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WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Wood County Regional Water and Sewer District (District) commenced operations on January 1, 1994. The district was created upon approval by the Wood County Court of Common Pleas pursuant to Section 6119 of the Ohio Revised code for the purpose of supplying water and providing for the collection, treatment, and disposal of wastewater to users within and without the District. The District was previously known as the Wood County Sanitary Engineer's Office and was under the control of Wood County (the County). Upon commencement, the County transferred the use of all related assets and liabilities to the District at carrying value.

The District is governed by a nine-member Board of Trustees, three appointed by the participating municipalities, three by the participating townships, and three by the County Commissioners. Board members serve staggered terms of six years. The Board controls the employment of the Executive Director of the district, who is responsible for staffing the respective departments and overseeing the day-to-day operations.

The District is authorized to issue revenue bonds and notes to finance the cost of projects which are payable from the revenues of the District. The District is also authorized to levy taxes for the current expenses of the District or for the issuance of bonds upon approval of a majority of the electorate. The District may also assess real estate for certain improvements and issue bonds in anticipation of the collection of such special assessments. The District has not exercised these taxing powers.

As a political subdivision, the District is distinct from, and is not an agency of, the State of Ohio or any other local governmental unit. The District is not subject to federal, state, or local income taxes or sales taxes.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government." A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity. The District does not have financial accountability over any entities.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED DECEMBER 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District 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.

Use of Estimates

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

Cash and Cash Equivalents

The District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable - Trade

The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is included in the financial statements. When amounts are deemed to be uncollectible, they are expensed in the year in which that determination is made.

Deferred Loan Costs

Deferred loan costs are amortized using the straight-line method over the term of the related debt.

Special Assessments Receivable

Special assessments receivable include amounts due from property owners that benefited from projects constructed by the District. The District receives proceeds from the property owners through assessments collected by the County over a 20 year period.

Inventory

Inventory items are stated at lower of cost or market. Inventory consists primarily of water meters and maintenance parts and supplies for the water and sewer lines.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED DECEMBER 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Fixed Assets

Fixed Assets are recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. Contributed assets are stated at fair value at the time of contribution.

Depreciation is recorded using the straight-line method over the estimated lives of the depreciable assets.

Construction in process includes all of the District's costs to develop fixed asset projects. The projects are funded through board restriction of assets and construction loans. Interest expense incurred throughout the construction phase of a project is capitalized as part of the cost of the asset under construction to the extent it exceeds interest income on the related invested debt proceeds. The District capitalized interest of \$15,737 for the year ended December 31, 1999.

At December 31, 1999, the District has construction commitments, on which work has not commenced, totaling approximately \$750,000 which will be funded by existing resources or the issuance of new debt.

Investments

Investments are stated at fair value.

Restricted Assets

Restricted assets consist of monies and other resources which are restricted by the District's Board of Trustees or as specified in debt agreements. These restrictions are described below:

Board Restricted Assets - These assets are restricted for capital and operating expenditures, and debt service.

Restricted in Accordance with Debt Agreements - These assets are restricted in accordance with the debt agreements to satisfy debt service requirements.

Contributed Capital, Grants and Assistance

Contributed capital relates primarily to the excess of the book value of assets transferred from the County over the liabilities assumed by the District upon creation of the District. Contributed capital also includes system development fees, assets whose construction

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED DECEMBER 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Contributed Capital, Grants and Assistance, Continued

was financed by special assessments, and donations from private sources. Grants for the acquisition of fixed assets are credited to contributed capital as the related qualified expenditures are incurred. Any grant cash received prior to the incurrence of related qualified expenditures is deferred. Depreciation on fixed assets resulting from capital grants is allocated to contributed capital using the straight-line method.

User Rates and Expenses

The District's sewer and water utility rates are determined in conjunction with periodic rate studies performed by independent third parties. Nondirect expenses are generally allocated based upon management's estimate of costs applicable to the respective divisions. Nondirect expenses were allocated to the sewer and water divisions, 62% and 38%, respectively.

Compensated Absences

The District has adopted GASB Statement No. 16, Accounting for Compensated Absences, which requires that a liability be accrued if it is probable that the employee will be compensated through cash payment.

NOTE 2 - CASH AND INVESTMENTS

Deposits

State statutes classify monies held by the District 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 District's 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 that the District 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.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED DECEMBER 31, 1999

NOTE 2 - CASH AND INVESTMENTS, Continued

Deposits, Continued

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 the 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 finance director 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.

The District's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits that are insured or collateralized with securities held by the District or its safekeeping agent in the District's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the District's name. Category 3 includes uninsured and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the District's name.

The carrying value of the District's deposits was \$1,941,373 at December 31, 1999. The following shows the bank balances of the District's deposits in each category:

- Category 1. \$ 100,000 was covered by federal depository insurance.
- Category 3. \$1,916,798 was covered by collateral held by the pledging
 financial institution, but not in the name of the District.

A reconciliation of the carrying value of the District's deposits above to the balance sheet follows:

Deposits	\$1,941,373
Investments	<u>1,634,845</u>
Unrestricted Cash and Cash Equivalents Total	<u>\$3,576,218</u>

Collateral is required for demand deposits and certificates of deposit at 110 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and district corporations. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED DECEMBER 31, 1999

NOTE 2 - CASH AND INVESTMENTS, Continued

Investments

State Statute and Board Resolutions authorize the District to invest in obligations of U. S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the finance director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 1999.

The District's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's Trust department or agent in the District's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its Trust department but not in the District's name. Star Ohio is not classified, since it is not evidenced by securities that exist in physical or book entry form.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 YEAR ENDED DECEMBER 31, 1999

NOTE 2 - CASH AND INVESTMENTS, Continued

Investments, Continued

The District's investments consist of the following:

<u>INVESTMENT</u>	<u>CATEGORY B</u>	<u>CARRYING/FAIR VALUE</u>
U.S. Treasuries and Federal Agency Obligations	\$1,947,479	\$1,947,479
Star Ohio		<u>2,811,569</u>
Total Investments (including restricted)		<u>\$4,759,048</u>

The above amount is included in the balance sheet as follows:

Unrestricted	\$1,634,845
Restricted	<u>3,124,203</u>
Total	<u>\$4,759,048</u>

NOTE 3 - NOTES PAYABLE

Notes payable issued to provide temporary financing of sewer and water construction projects outstanding at December 31, 1999 are as follows:

<u>Date of Issue</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
7/08/99	Oregon WWTP Phase II	4.59%	1/07/00	\$2,800,000
5/14/99	Stearnscrest/Rudolph SS	4.50%	5/12/00	385,000
6/11/99	WL #167 and #183	4.00%	6/09/00	<u>703,000</u>
	Total Notes Payable			<u>\$3,888,000</u>

The notes are secured by the underlying fixed assets.

NOTE 4 - DEBT

Ohio Water Development Authority Loans Payable

The District has three loans with the Ohio Water Development Authority (OWDA) to finance the cost of developing and improving the water and sewer systems. The following table shows remaining principal amounts outstanding on the individual loans as of December 31, 1999:

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 YEAR ENDED DECEMBER 31, 1999

NOTE 4 - DEBT

Ohio Water Development Authority Loans Payable, Continued

<u>Project Number</u>	<u>Date of Loan</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Final Payment Date</u>	<u>Amount Outstanding</u>
SS #200	6/16/71	\$1,367,947	5.25%	7/01/01	\$ 170,183
SS #140	9/29/94	1,065,000	4.18%	7/01/14	874,895
WL #234	7/27/95	5,496,313	6.36%	1/01/16	<u>4,950,656</u>
					<u>\$5,995,734</u>

Other long-term loans at December 31, 1999 are as follows:

<u>Date of Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
1/01/87	Sewer Improvement - SS #220	7.76%	12/31/06	\$ 368,413
12/01/97	Jerry City SS/Cygnnet Lagoon	6.04%	12/01/36	218,459
8/13/98	Jerry City SS #1800 OPWC Loan	0.00%	7/01/19	505,692
9/08/98	Jerry City SS #1800 USDA Loan	4.75%	9/08/38	<u>284,600</u>
				<u>\$1,377,164</u>

Bonded debt at December 31, 1999 is as follows:

<u>Date of Issue</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
6/06/96	1996 Revenue Refunding Bond	\$1,775,000	5.70%	12/01/06	\$1,250,000
9/17/96	Special Assessments Bond	277,159	6.20%	12/01/16	235,000
10/01/98	Special Assessments Bonds	360,000	4.25 - 5.25%	10/01/18	340,000
9/23/99	Special Assessments Bonds	500,000	5.85%	12/01/19	<u>500,000</u>
					<u>\$2,325,000</u>

Debt is secured by the underlying fixed assets, assessments against property owners or general revenues of the District.

The District is subject to certain restrictive debt covenants, including financial ratio requirements such as maintenance of minimum debt service coverage ratios.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 YEAR ENDED DECEMBER 31, 1999

NOTE 4 - DEBT, Continued

The annual principal and interest requirements on all long term debt outstanding at December 31, 1999 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 547,089	\$ 552,131	\$ 1,099,220
2001	598,590	514,180	1,112,770
2002	533,194	481,343	1,014,537
2003	556,466	451,285	1,007,751
2004	600,791	303,182	903,973
Thereafter	<u>6,861,768</u>	<u>2,750,970</u>	<u>9,612,738</u>
Total	<u>\$9,697,898</u>	<u>\$5,053,091</u>	<u>\$14,750,989</u>

At December 31, 1999, the District had \$783,483 in cash and cash equivalents restricted in accordance with loan agreements.

NOTE 5 - COUNTY DEBT OBLIGATIONS

The County has issued special assessment debt on behalf of the District to fund District projects. This debt will be paid from the proceeds of special assessments levied against those property owners that benefited from the projects. In the event that property owners fail to make their special assessment payments, the County is responsible for the annual principal and interest payments. This debt is backed by the full faith and credit of the County and is not reflected in the District's financial statements.

At December 31, 1999, \$4,065,000 in special assessment debt related to the District is outstanding. The District has provided \$208,000 to the County to establish a reserve to fund shortfalls in the collection of special assessments. Further, the District has agreed to advance additional funds, if necessary, to the extent shortfalls exceed the reserve. The County has agreed to repay the District for unused advances. During 1999, the County did not make any withdrawals from the reserves; withdrawals in prior years have reduced this reserve to \$183,769 as of December 31, 1999.

The County is also obligated for loans received from the Ohio Sewer and Rotary Commission (Rotary Commission) for the District's sewer and water line assessments, the collection of which is deferred or exempt pursuant to Section 6103.051 of the Ohio Revised Code. The County is responsible for collecting the assessments when the property no longer meets the exemption criteria. This money must be remitted to the Rotary Commission within one year, even if not collected by the County.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 YEAR ENDED DECEMBER 31, 1999

NOTE 5 - COUNTY DEBT OBLIGATIONS, Continued

At December 31, 1999, \$2,218,909 in loans from the Rotary Commission are outstanding. These amounts have not been reflected in the District's financial statements, since the County is ultimately responsible for the payment of this debt. The district has provided \$75,000 to the county to establish a reserve to fund shortfalls in the collection of amounts due. Further, the District has agreed to advance additional funds, if necessary, to the extent shortfalls exceed the reserve. The County has agreed to repay the District for unused advances. No withdrawals from the reserve were made during 1999, or in prior years on this reserve.

NOTE 6 - CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended December 31, 1999 were as follow:

Balances at January 1	\$57,111,755
Contributed capital	1,478,701
System development fees	650,939
Capital grant	66,242
Transfer to retained earnings of an amount equal to the depreciation on assets acquired through contributed capital and capital grants.	(<u>1,687,210</u>)
Balance at December 31	<u>\$57,620,427</u>

The additions to contributed capital include sewer and water lines financed through special assessments, system development fees, or private developers.

NOTE 7 - RETIREMENT AND OTHER BENEFIT PLANS

The employees of the District are covered by the Public Employees Retirement System of Ohio (PERS), a statewide cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by 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, OH 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED DECEMBER 31, 1999

NOTE 7 - RETIREMENT AND OTHER BENEFIT PLANS, Continued

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.50% of qualifying gross wages for all employees. The total 1998 employer contribution rate was 13.55% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The District's contributions to P.E.R.S. for the years ending December 31, 1999, 1998 and 1997 were \$128,503, \$144,359, and \$136,247, respectively. All required contributions were made prior to each of those fiscal year ends.

Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability 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. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care.

The Ohio Revised code provides the statutory authority requiring public employers to fund post retirement health care through their contribution to PERS.

OPEB is financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

PERS expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

During 1997, the Retirement Board 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% of member covered payroll are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED DECEMBER 31, 1999

NOTE 8 - COMPENSATED ABSENCES

Vacation and sick leave policies are established by agreement between the District and the American Federation of State, County and Municipal Employees, for members of the bargaining unit, and by personnel policy for management employees not covered by the labor agreement.

For both union and non-union employees, these agreements provide for two weeks of paid vacation after one year of service, three weeks after eight years of service, four weeks after fifteen years of service, and five weeks after twenty-five years of service. Vacation time relating to a maximum of two years of service may be accumulated before it is lost.

For union personnel, the labor agreement provides for sick leave pay to be credited at a rate of 4.6 hours for each eighty hours "in active pay status." By limiting the use of sick leave during the fiscal year, an employee may receive a bonus.

In the event of termination of employment after ten consecutive years of service, or due to retirement, such employees are entitled to receive payment for one fourth of their accumulated sick leave, up to a maximum of 120 days.

At December 31, 1999, \$87,986 of vested compensated absences was accrued by the District, for both union and non-union personnel. Nonvested amounts have not been accrued, as the amounts are not material to the financial statements.

NOTE 9 - INSURANCE

The District maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

NOTE 10 - CONTINGENCIES AND COMMITMENTS

Grants

The District received financial assistance from a state agency in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at December 31, 1999.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED DECEMBER 31, 1999

NOTE 10 - CONTINGENCIES AND COMMITMENTS, Continued

Litigation and Claims

At December 31, 1999, the District was involved in the following litigation:

City of Northwood v. Wood County Regional Water and Sewer District, Ohio Supreme Court Case 98-522.

This case began in August 1995 with the City of Northwood attempting to extend the District's water and sewer lines and provide service to an area without the District's approval. In October 1995, the City of Northwood attempted to appropriate the District's main transmission and local distribution waterlines and sewer lines within the City's boundaries. The District filed a separate action contending the City had no right under the Ohio Constitution to appropriate any of the District facilities. The trial court issued a decision January 27, 1997 finding that the City had no right to appropriate the District's main transmission lines but did have the right to appropriate local lines within Northwood's boundaries.

Both parties appealed to the Sixth District Court of Appeals. On January 30, 1998, the Court of Appeals concluded the city had no right to appropriate any of the District's facilities since the District is an independent political subdivision.

Northwood appealed to the Ohio Supreme Court on March 16, 1998. The Supreme Court reversed the Court of Appeals decision, holding that a municipality has the right to appropriate public utility property employed by another political subdivision located within the municipality's boundaries. However this right is limited and held that a taking cannot be completed if it will result in the destruction of an existing public use or the destruction, including economic destruction, of an existing public utility operated by another political subdivision.

The Ohio Supreme Court has remanded the case to the trial court for consideration of whether the taking will destroy, or be tantamount to destruction of the District's operation of the public utility. The trial court directed the parties to non-binding mediation of the case on March 14, 2000, but the results of that mediation are subject to final acceptance by the parties.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED DECEMBER 31, 1999

NOTE 10 - CONTINGENCIES AND COMMITMENTS, Continued

Litigation and Claims, Continued

City of Perrysburg v. City of Toledo and the Wood county Regional Water and Sewer District, Lucas County Case CI-1998-01930.

On March 30, 1998, the City of Perrysburg filed suit claiming it had the sole and exclusive right to provide water service within its Perrysburg Service Area (which includes part of Perrysburg Township) in Wood County and that it had the right to employ the District's line to transport water purchased from Toledo without charge. Both Toledo and the District counterclaimed. The District claims that it has the right to serve customers in this same service area and further contends Perrysburg has no exclusive rights to serve customers in their Toledo contract service area, the District has the right to enforce its rules and regulations as to service and the District has the right to charge any user: tap-in fees, service connection fees, and operation and maintenance fees for service. The District claims damages in excess of \$379,000 for costs of a tap into the District's transmission lines at Glenwood Road and \$5,500,000 for facilities annexed by Perrysburg.

The parties have engaged in limited discovery. A pre-trial conference was held on March 10, 1999. No trial date has been set, and the trial court has not ruled on cross motions for summary judgment.

Environmental Review Appeals Commission:

Saddlebrook Waterline Extension, Case 873810 and Case 873873

Saddlebrook Sewerline Extension, Case 873815 and Case 873866

Coventry Wood Waterline, Case 874040 and Case 874088

Simmons Road Waterline, Case 874022 and Case 874070

The City of Perrysburg has filed a number of appeals to the Environmental Review Appeals Commission regarding EPA approval of design plans for District water and sewer line extensions contending these projects are contrary to their master plan completed several years ago for the township areas. The City feels it has paramount right to serve these areas outside of their corporate limits. The District feels the design and engineering on these projects are the issues in the appeals and not the City's master plan.

The ultimate outcome of these suits cannot be determined: however it is the opinion of management that any resulting liability to the District will not have a material effect on the Districts' financial position with the exception of the Northwood Supreme Court Case. The impact of this litigation cannot be assessed but could have a material effect on the future financial well being of the District due to the size of the Northwood customer base.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 YEAR ENDED DECEMBER 31, 1999

NOTE 10 - CONTINGENCIES AND COMMITMENTS, Continued

Other Pending EPA and Local Health Department Ordered Projects

The District has received various orders for installation of wastewater treatment facilities and collection systems within various areas of the District. There are currently seven such ordered areas with preliminary cost estimates totaling \$11.3 million for projects to commence over the next few years. These projects will be paid for by federal and state financial assistance and by the property owners benefiting from the projects through real estate special assessments and connection fees.

The District has approximately \$871,500 in potential receivables related to special assessments that have been deferred by the County. The special assessments were deferred on properties, most of which would have qualified for loans from the Rotary Commission pursuant to Section 6103.051 of the Ohio Revised Code, had these funds been available from the Rotary Commission. As these receivables become due and payable only in the event the properties no longer qualify, and therefore collection is uncertain, they have not been reflected in the financial statements.

NOTE 11 - SEGMENT INFORMATION

Significant financial data for the respective divisions of the District's enterprise fund at and for the year ended December 31, 1999 is as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating revenues	\$ 2,421,106	\$ 1,830,030	\$ 4,251,136
Operating expenses:			
Depreciation and amortization	1,443,385	769,470	2,212,855
Other	<u>1,458,781</u>	<u>1,673,940</u>	<u>3,132,721</u>
Total operating expenses	<u>2,902,166</u>	<u>2,443,410</u>	<u>5,345,576</u>
Excess of operating expenses over operating revenues	(<u>481,060</u>)	(<u>613,380</u>)	(<u>1,094,440</u>)
Net expenses over revenues	(<u>568,281</u>)	(<u>618,110</u>)	(<u>1,186,391</u>)
Current capital contributions	1,165,789	1,030,093	2,195,882
Fixed assets			
Additions	1,385,914	820,768	2,206,682
Disposals	17,680	8,320	26,000
Depreciation on contributed assets	1,096,470	590,740	1,687,210
Net working capital	(374,016)	337,587	(36,429)
Total assets*	44,736,165	31,648,925	76,385,090
Notes and bonds payable*	7,178,742	6,407,156	13,585,898
Total equity	\$36,895,625	\$24,530,047	\$61,425,672

*Includes elimination of the inter-division receivable and note payable.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
SCHEDULE OF BALANCE SHEET INFORMATION BY DIVISION
DECEMBER 31, 1999

	Water	Sewer	Elimination Adjustments	Combined
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 801,750	\$ 2,774,468		\$ 3,576,218
Accounts receivable - trade	698,264	908,235		1,606,499
Accounts and notes receivable - contract services	20,375	302,145	\$ (250,000)	72,520
Special assessments receivable - current portion	225,763	52,727		278,490
Inventory	204,861	10,624		215,485
Prepaid expenses	8,728	14,240		22,968
Total current assets	<u>1,959,741</u>	<u>4,062,439</u>	<u>(250,000)</u>	<u>5,772,180</u>
Restricted assets:				
Board restricted:				
Cash and cash equivalents	-	770,903		770,903
Investments	525,938	1,043,879		1,569,817
Restricted for debt retirement:				
Cash and cash equivalents	748,577	34,906		783,483
Total restricted assets	<u>1,274,515</u>	<u>1,849,688</u>		<u>3,124,203</u>
Special assessments receivable	3,443,175	1,006,674		4,449,849
Reserve with County Commissioners	36,836	221,933		258,769
Deferred loan costs, net of accumulated amortization of \$29,670	-	53,081		53,081
Fixed assets:				
Land	42,083	158,495		200,578
Sewer and water lines	34,596,377	51,709,311		86,305,688
Buildings, pumps and lift stations	1,362,571	3,346,111		4,708,682
Machinery and equipment	324,586	625,534		950,120
Vehicles	249,027	517,052		766,079
Furniture and fixtures	11,825	21,144		32,969
Computer equipment	75,450	118,826		194,276
Improvements-Oregon Waste Water Trtmt. Plant	2,490	3,208,475		3,210,965
Construction in progress	1,596,837	3,948,791		5,545,628
Total fixed assets	<u>38,261,246</u>	<u>63,653,739</u>		<u>101,914,985</u>
Accumulated depreciation and amortization	<u>(13,326,588)</u>	<u>(25,861,389)</u>		<u>(39,187,977)</u>
Net fixed assets	<u>24,934,658</u>	<u>37,792,350</u>		<u>62,727,008</u>
Total assets	<u>\$ 31,648,925</u>	<u>\$ 44,986,165</u>	<u>\$ (250,000)</u>	<u>\$ 76,385,090</u>

	Water	Sewer	Elimination Adjustments	Combined
LIABILITIES AND EQUITY				
Current liabilities:				
Notes payable	\$ 953,000	\$ 3,185,000	\$ (250,000)	\$ 3,888,000
Current portion of long-term debt	207,432	339,657		547,089
Accounts payable - trade	122,496	66,728		189,224
Accounts payable - other	22,980	427,871		450,851
Compensated absences payable	33,435	54,551		87,986
Accrued payroll and payroll taxes	29,319	47,953		77,272
Accrued interest payable	183,657	141,696		325,353
Amounts due other governments	69,835	172,999		242,834
Total current liabilities	1,622,154	4,436,455	(250,000)	5,808,609
Long-term debt, less current portion	5,496,724	3,654,085		9,150,809
Total liabilities	7,118,878	8,090,540	(250,000)	14,959,418
Equity:				
Contributed Capital	23,485,507	34,134,920		57,620,427
Retained earnings	1,044,540	2,760,705		3,805,245
Total equity	24,530,047	36,895,625		61,425,672
Total liabilities and equity	\$ 31,648,925	\$ 44,986,165	\$ (250,000)	\$ 76,385,090

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
SCHEDULE OF REVENUES AND EXPENSES BY DIVISION
YEAR ENDED DECEMBER 31, 1999

	Water	Sewer	Elimination Adjustments	Combined
Operating Revenues:				
Utility revenue	\$ 1,656,098	\$ 2,285,951		\$ 3,942,049
Fees and permits	149,003	73,059		222,062
Contract services	1,750	54,814		56,564
Other	23,179	7,282		30,461
Total operating revenues	<u>1,830,030</u>	<u>2,421,106</u>	<u> </u>	<u>4,251,136</u>
Operating Expenses:				
Depreciation and amortization	769,470	1,443,385		2,212,855
Labor	347,237	586,715		933,952
Employee Benefits	118,300	194,250		312,550
Professional services	242,332	278,638		520,970
Purchased water	466,755	-		466,755
Materials and supplies	320,647	229,131		549,778
Utilities	139,548	116,658		256,206
Rent	11,180	17,412		28,592
Other	27,941	35,977		63,918
Total operating expenses	<u>2,443,410</u>	<u>2,902,166</u>	<u> </u>	<u>5,345,576</u>
Operating revenues over (under) operating expenses	(613,380)	(481,060)		(1,094,440)
Nonoperating revenues (expenses):				
Interest income	353,921	228,276		582,197
Interest expense	(405,282)	(311,342)		(716,624)
Other	46,631	(4,155)		42,476
Net nonoperating revenues (expenses)	<u>(4,730)</u>	<u>(87,221)</u>	<u> </u>	<u>(91,951)</u>
Net expense (over) under revenues	(618,110)	(568,281)		(1,186,391)
Transfer to retained earnings current depreciation and amortization on assets acquired through contributed capital and capital grants	<u>590,740</u>	<u>1,096,470</u>	<u> </u>	<u>1,687,210</u>
Net change to retained earnings	(27,370)	528,189		500,819
Retained Earnings - beginning	<u>1,071,910</u>	<u>2,232,516</u>		<u>3,304,426</u>
Retained Earnings - ending	<u>\$ 1,044,540</u>	<u>\$ 2,760,705</u>	<u> </u>	<u>\$ 3,805,245</u>

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
SCHEDULE OF CASH FLOWS BY DIVISION
YEAR ENDED DECEMBER 31, 1999

	Water	Sewer	Elimination Adjustments	Combined
<u>CASH FLOWS FROM OPERATIONS:</u>				
Excess of operating expenses over revenues	\$ (613,380)	\$ (481,060)		\$(1,094,440)
Adjustments to reconcile to net cash:				
Depreciation and amortization	769,470	1,443,385		2,212,855
Changes in operating assets and liabilities that increase (decrease) cash flows:				
Special assessments receivable	19,982	(253,267)		(233,285)
Accounts receivable	108,022	(252,759)	\$ 250,000	105,263
Inventory	9,921	6,637		16,558
Other	47,041	293		47,334
Accounts payable	4,654	22,001		26,655
Accrued payroll and payroll taxes	(15,643)	(25,071)		(40,714)
Amounts due other governments	40,745	93,902		134,647
Total adjustments	<u>984,192</u>	<u>1,035,121</u>	<u>250,000</u>	<u>2,269,313</u>
NET CASH PROVIDED BY OPERATIONS	<u>370,812</u>	<u>554,061</u>	<u>250,000</u>	<u>1,174,873</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING:</u>				
Capital contributed	823,443	655,258		1,478,701
Proceeds from capital grant	-	66,242		66,242
System development fees	206,650	444,289		650,939
Acquisition and construction of fixed assets, net of related payables	(1,129,869)	(1,349,761)		(2,479,630)
Proceeds on sale of fixed assets	1,368	6,732		8,100
Proceeds from issuance of short-term notes	953,000	5,985,000	(250,000)	6,688,000
Proceeds from issuance of long-term debt	178,500	321,500		500,000
Repayment of short-term notes	(1,516,000)	(6,802,500)		(8,318,500)
Repayment of long-term debt	(201,763)	(266,815)		(468,578)
Interest paid	(428,484)	(349,369)		(777,853)
NET CASH USED BY FINANCING	<u>(1,113,155)</u>	<u>(1,289,424)</u>	<u>(250,000)</u>	<u>(2,652,579)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Interest received	353,921	228,276		582,197
Proceeds on sale of investments	903,717	1,538,762		2,442,479
Purchases of investments	(756,670)	(1,286,983)		(2,043,653)
NET CASH PROVIDED BY INVESTING	<u>500,968</u>	<u>480,055</u>		<u>981,023</u>
<u>DECREASE IN CASH AND CASH EQUIVALENTS</u>	<u>(241,375)</u>	<u>(255,308)</u>		<u>(496,683)</u>
Cash and cash equivalents - beginning of year	<u>1,791,702</u>	<u>3,835,585</u>		<u>5,627,287</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 1,550,327</u>	<u>\$ 3,580,277</u>	<u>\$ -</u>	<u>\$ 5,130,604</u>
Restricted cash	\$ 748,577	\$ 805,809		\$ 1,554,386
Unrestricted cash	<u>\$ 801,750</u>	<u>\$ 2,774,468</u>		<u>\$ 3,576,218</u>



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Wood County Regional Water and Sewer District
One Courthouse Square
P.O. Box 348
Bowling Green, Ohio 43402

We have audited the financial statements of Wood County Regional Water and Sewer District as of and for the year ended December 31, 1999, and have issued our report thereon dated April 26, 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 Wood County Regional Water and Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a matter involving noncompliance that we have reported to the management of Wood County Regional Water and Sewer District in a separate letter dated April 26, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wood County Regional Water and Sewer District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the

Wood County Regional Water and Sewer District
Page Two

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 we have reported to the management of Wood County Regional Water and Sewer District in a separate letter dated April 26, 2000.

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

Webster O'Brien, LTD.

April 26, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT
WOOD COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*

Date: **AUG 15 2000**