EASTERN OHIO REGIONAL WASTEWATER AUTHORITY
BELMONT COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

EASTERN OHIO REGIONAL WASTEWATER AUTHORITY
BELMONT COUNTY

TABLE OF CONTENTS

This page intentionally left blank.

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701

Telephone 740-594-3300
800-441-1389

Facsimile 740-594-2110
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Eastern Ohio Regional Wastewater Authority
Belmont County
P.O. Box 508
Bridgeport, Ohio 43912

To the Board of Trustees:

We have audited the accompanying general purpose financial statements of the Eastern Ohio Regional Wastewater Authority, Belmont County, Ohio, (the Authority) as of and for the years ended December 31, 2000 and 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Eastern Ohio Regional Wastewater Authority, Belmont County, as of December 31, 2000 and 1999, and the results of its operations and cash flows 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 October 17, 2001 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

October 17, 2001

This page intentionally left blank.

EASTERN OHIO REGIONAL WASTEWATER AUTHORITY
BELMONT COUNTY

COMBINED BALANCE SHEET
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
Assets:		
Equity in Pooled Cash and Cash Equivalents	$2,052,374	$2,545,587
Accounts Receivable	319,465	295,564
Accrued Interest Receivable	9,636	10,605
Inventory	6,057	2,147
Fixed Assets (Net of Accumulated Depreciation)	13,294,952	13,014,922
Prepaid Expenses	29,371	30,112
Total Assets	**15,711,855**	**15,898,937**
Liabilities and Equity:		
Liabilities:		
Accounts Payable	23,713	11,210
Accrued Wages and Benefits	73,414	81,631
Accrued Bond & Note Interest Payable	11,500	12,250
Other Accrued Liabilities	1,808,966	17,397
OWDA Loan Payable	1,292,284	1,395,936
Bond Anticipation Note Payable	3,500,000	3,500,000
Total Liabilities	6,709,877	5,018,424
Equity:		
Contributed Capital	8,705,049	8,705,049
Retained Earnings, Unreserved	296,929	2,175,464
Total Fund Equity	9,001,978	10,880,513
Total Liabilities and Equity	**$15,711,855**	**$15,898,937**

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

EASTERN OHIO REGIONAL WASTEWATER AUTHORITY
BELMONT COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
Operating Revenues:		
Charges for Services	$2,172,307	$2,104,060
Other Operating Revenue	8,170	10,539
Total Operating Revenues	2,180,477	2,114,599
Operating Expenses:		
Operating Expenses	1,394,736	1,380,333
Administrative Expenses	241,623	363,852
Depreciation Expense	408,983	389,593
Total Operating Expenses	2,045,342	2,133,778
Operating Income (Loss)	135,135	(19,179)
Non-Operating Revenue:		
Other Non-Operating Revenue	292	282
Gain on Disposal of Fixed Assets	90	
Interest Income	128,124	203,649
Total Non-Operating Revenues	128,506	203,931
Non-Operating Expenses:		
Note Interest	147,237	146,592
Bond Interest Expense	167,512	178,618
Amortized Long-Term Debt Expense	1,104	1,104
Loss on Disposal of Fixed Asset		2,575
Other Non-Operating Expenses	1,800,000	255,000
Discounts on Services	23,923	23,076
Loss on Bad Debts	2,400	2,400
Total Non-Operating Expenses	2,142,176	609,365
Net Income (Loss)	(1,878,535)	(424,613)
Fund Equity at Beginning of Year	10,880,513	11,082,630
Increase in Contributed Capital	0	222,496
Total Fund Equity at End of Year	**$9,001,978**	**$10,880,513**

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

EASTERN OHIO REGIONAL WASTEWATER AUTHORITY
BELMONT COUNTY

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
Cash Flows from Operating Activities:		
Cash Received from Customers	2,122,083	2,039,516
Other Operating Revenue	8,170	10,339
Cash Payments to Suppliers of Goods and Services	(561,980)	(668,220)
Cash Payments to Employees for Services	(1,082,505)	(1,060,612)
Net Cash Provided by Operating Activities	485,768	321,023
Cash Flows from Capital and Related Financing Activities:		
Payments for Capital Acquisitions	(689,072)	(3,642,655)
Proceeds from Sale of Equipment	150	957
Principal Paid on OWDA Loan	(103,651)	(92,546)
Principal Paid on Bond Anticipation Note	(3,500,000)	(3,500,000)
Proceeds from Sale of Note Issue	3,500,000	3,500,000
Insurance Settlement		(255,000)
Interest Paid on OWDA Loan	(167,512)	(178,618)
Interest Paid on Bond Anticipation Note	(147,988)	(146,592)
Contributed Capital		222,496
Net Cash Provided by/Used for Capital and Related Financing Activities	(1,108,073)	(4,091,958)
Cash Flows from Investing Activities:		
Interest Earned on Investments	129,092	214,736
Net Increase/decrease in Pooled Cash and Cash Equivalents	(493,213)	(3,556,199)
Equity in Pooled Cash and Cash Equivalents, January 1	2,545,587	6,101,786
Equity in Pooled Cash and Cash Equivalents, December 31	**2,052,374**	**2,545,587**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income(Loss)	135,135	(19,179)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	408,983	389,593
Discounts on Services Rendered	(23,922)	(23,076)
Discounts on Purchases	292	282
Change in Assets and Liabilities:		
(Increase) Decrease in Inventory	(3,910)	(1,948)
(Increase) Decrease in Accounts Receivable	(26,301)	(41,467)
(Increase) Decrease in Prepaid Expenses	(363)	2,615
Increase (Decrease) in Accounts Payable	12,503	(4,511)
Increase (Decrease) in Accrued Liabilities	(16,649)	18,714
Total adjustments	350,633	340,202
Net Cash Provided by Operating Activities	485,768	321,023

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

This page intentionally left blank.

1. DESCRIPTION OF ENTITY

The Belmont County Sewer Authority No. One, which is now renamed to Eastern Ohio Regional Wastewater Authority, was established June 4, 1958, by journal entry in the Court of Common Pleas, Belmont County, Ohio, to provide for the collection and disposal of storm and sanitary sewage. It is being governed by an appointed Board of Trustees. One Board Member is appointed by the Cities of Bellaire and Martins Ferry, and the Village of Bridgeport and Brookside combined as one Village. The Authority is defined by Section 6119.01 of the Ohio Revised Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation - Fund Accounting

The Authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of management is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. 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. The Authority uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. Unbilled service charges receivable are recognized as revenue at year end.

The Authority's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the balance sheet. Equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The operating statements present increases (i.e. revenues) and decreases (i.e., expenses) in net total assets.

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.

. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

. Budgetary Process

The Ohio Revised Code requires that an operating budget be prepared annually.

. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

3. Encumbrances

The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2000 and 1999 budgetary activity appears in Note 4.

D. Equity in Pooled Cash and Cash Equivalents

To improve cash management, cash received by the Authority is pooled. Monies for all enterprise funds are maintained in this pool. Individual fund integrity is maintained through Authority records.

For the purposes of the statement of cash flows and for presentation of the balance sheet, 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.

E. Accounts Receivable

Accounts receivable are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible. Increases to the allowance are recorded by a provision for bad debts recorded to expenses. The allowance is maintained by management at a level considered adequate to cover possible losses that are currently anticipated based on past experience, general economic conditions, information about specific account situations, and other factors and estimates which are subject to change over time. While management may periodically allocate portions of the allowance for specific problem accounts, the whole allowance is available for any debts that occur. An account is charged off by management as a loss when deemed uncollectible, although collection efforts continue and future recoveries may occur.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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
Sewer Lines	50
Buildings	30 - 45
Building Improvements	10 - 45
Vehicles	10
Office Equipment	10 -15

G. Long-Term Obligations

Long-term debt and bond anticipation notes are reported as liabilites.

H. Contributed Capital

Contributed capital represents resources provided by other governments and private sources that is not subject to repayment. These assets are recorded at their fair market value on the date contributed.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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 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. 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;

3. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)

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 $146 and $165, in 2000 and 1999, respectively, in undeposited cash on hand which is included on the balance sheet of the Authority as part of "Cash and Cash Equivalents".

Deposits At December 31, 2000 and 1999, the carrying amount of the Authority's deposits were $188,228 and 96,422, respectively, and the bank balances were $245,141 and $129,981, respectively. The bank balance was fully covered by federal deposit insurance or by collateral held by the Authority's agent in the Authority's name.

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, 2000, the Authority's investment balances were as follows:

	Category 3	Carrying Amount	Fair Value
Repurchase Agreements	$1,864,000	$1,864,000	$1,864,000

3. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)

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

	Category 3	Carrying Amount	Fair Value
Repurchase Agreements	$2,449,000	$2,449,000	$2,449,000

The classification of "Cash and Cash Equivalents" on the financial statements is based on criteria set forth in GASB Statement No. 9.

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:

	December 31, 2000		December 31, 1999	
	Cash and Cash Equivalents	Investments	Cash andCash Equivalents	Investments
GASB Statement 9	$2,052,374		$2,545,587	
Repurchase Agreements	(1,864,000)	$1,864,000	(2,449,000)	$2,449,000
Undeposited Cash	(146)		(165)	
GASB Statement 3	$188,228	$1,864,000	$96,422	$2,449,000

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

Budgeted vs. Actual Receipts

	2000	1999
Budgeted Receipts	$2,238,000	$2,191,600
Actual Receipts	2,308,983	2,318,330
Variance	$70,983	$126,730

Budgeted vs. Actual Budgetary Basis Expenditures

	2000	1999
Appropriation Authority	$2,285,864	$2,300,716
Budgetary Expenditures	2,051,954	2,170,966
Variance	$233,910	$129,750

5. LONG-TERM OBLIGATIONS

Debt outstanding at December 31, 2000, consisted of the following:

	Principal	Interest Rate
Ohio Water Development Authority Loan	$1,292,284	12.00%

The Ohio Water Development Authority (O.W.D.A.) Loan is for utility construction projects. Property and revenue of the utility facilities have been pledged to repay this debt.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loan
2001	$ 271,164
2002	271,164
2003	271,164
2004	271,164
2005	271,164
Subsequent	677,910
Total	$ 2,033,730

6. NOTES PAYABLE

Notes outstanding at December 31, 2000, consisted of the following:

Bond Anticipation Notes	
Principal Outstanding	$3,500,000
Interest Rate	5.39%

The Bond Anticipation Note was issued to pay for the costs of constructing improvements to the Authority's sewer collection and treatment system. The notes will be repaid from revenues derived from the operation of the water system.

7. 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 2000 and 1999, the Authority contracted with Westfield Insurance Company for property and general liability insurance, including boiler and machinery coverage.

Vehicles are covered by Westfield Insurance Company and hold a $100 and 1,000 deductible. Automobile liability coverage has a $1,000,000 limit for collision, and a $1,000,000 limit for bodily injury.

7. RISK MANAGEMENT (Continued)

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

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

The Authority contracts with the Health Plan for hospitalization and prescription insurance for all employees and elected officials. The Authority pays 100 percent of the total monthly premiums, which are as follows:

	2000	1999
Family Coverage	$437.68	$363.46
Individual Coverage	$159.15	$132.17

Dental care coverage is provided by Delta Dental and eye care coverage is provided by Vision Service Plan. Plans are paid from the same funds that pay the employee's salaries.

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

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 defined benefit pension plan 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. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. For plan members, the Authority was required to contribute 6.54 percent of covered salary for 2000, a reduction from 9.35 for 1999. Contributions are authorized by State Statute. The contribution rates are determined actuarially. The Authority's required contributions to PERS for the years ended December 31, 2000, 1999, and 1998 were $104,414, $111,244, and $102,125, respectively. The full amounts have been contributed for 1999, and 1998. 87 percent has been contributed for 2000 with the remainder being reported as a liability.

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 employer contribution rate for 2000 was 10.84 percent of covered payroll and 4.3 percent was the portion that used to fund health care. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually. All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 401,339. The Authority's actual contributions for 2000 and 1999 which were used to fund postemployment benefits were $5,123 and $4,998 respectively. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were $10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were $12,473.6 million and $1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

10. FIXED ASSETS

A summary of the Authority's fixed assets at December 31, 2000 is as follows:

	2000	1999
Land	$122,932	$122,932
Building & Building Improvements	12,610,728	12,618,841
Sewer Lines	2,942,031	2,942,030
Furniture, Fixtures, and Equipment	70,368	68,089
Construction In Progress	4,522,626	3,835,832
Total	20,268,685	19,587,724
Accumulated Depreciation	(6,973,733)	(6,572,802)
Net Fixed Assets	$13,294,952	$13,014,922

11. CONTRIBUTED CAPITAL

During 2000 and 1999, respectively, the following changes to contributed capital reported by the Authority:

	2000	1999
Balance at January 1	$8,705,049	$8,482,553
Contributions		222,496
Balance at December 31	$8,705,049	$8,705,049

12. LITIGATION SETTLEMENT

East Ohio Regional Wastewater Authority has agreed in principle to a legal matter. The final terms and amount are being negotiated. The financial statements include an estimated charge and liability for this matter.

STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701

Telephone 740-594-3300
800-441-1389

Facsimile 740-594-2110
www.auditor.state.oh.us

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

Eastern Ohio Regional Wastewater Authority
Belmont County
P.O. Box 508
Bridgeport, Ohio 43912

To the Board Of Trustees:

We have audited the accompanying general purpose financial statements of Eastern Ohio Regional Wastewater Authority, Belmont County, Ohio, (the Authority) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated October 17, 2001. We conducted our audit 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 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 management of the Authority in a separate letter dated October 17, 2001.

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 October 17, 2001.

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

October 17, 2001

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

EASTERN OHIO REGIONAL WASTEWATER AUTHORITY

BELMONT 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
NOVEMBER 8, 2001