



**CARROLL WATER AND SEWER DISTRICT
OTTAWA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**CARROLL WATER AND SEWER DISTRICT
OTTAWA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Carroll Water and Sewer District
Ottawa County
10340 West State Route 2
Oak Harbor, Ohio 43449-9013

To the Board of Trustees:

We have audited the accompanying financial statements of Carroll Water and Sewer District, Ottawa County, Ohio, (the District) as of and for the years ended December 31, 2000 and 1999. 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 audits.

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

As discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the District as of December 31, 2000 and 1999, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 16, 2001

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**CARROLL WATER AND SEWER DISTRICT
OTTAWA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000	1999
Operating Cash Receipts:		
Charges for Services	\$365,046	\$348,538
Operating Cash Disbursements:		
Personal Services	176,509	173,615
Utilities	37,361	39,191
General Administration	25,636	20,359
Other Contractual Services	52,328	41,302
Chemicals and Operating Supplies	45,892	38,483
Insurance	7,319	6,533
Capital Outlay	490,226	427,366
Total Operating Cash Disbursements	835,271	746,849
Operating Loss	(470,225)	(398,311)
Non-Operating Cash Receipts:		
Local Taxes	1,409,938	1,525,615
Intergovernmental Revenues	33,514	32,285
Interest	60,406	37,017
Miscellaneous	125,266	30,333
Proceeds on Loan from Carroll Township	375,531	265,890
Other Non-Operating Revenues	20,751	26,833
Total Non-Operating Cash Receipts	2,025,406	1,917,973
Non-Operating Cash Disbursements:		
Debt Service	1,492,812	1,492,813
Other Non-Operating Cash Disbursements	23,044	25,202
Total Non-Operating Cash Disbursements	1,515,856	1,518,015
Net Receipts Over Disbursements	39,325	1,647
Cash Balances, January 1	655,217	653,570
Cash Balances, December 31	\$694,542	\$655,217

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

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**CARROLL WATER AND SEWER DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Carroll Water and Sewer District, Ottawa County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed three-member Board of Trustees. Board members are appointed by the Trustees of Carroll Township. The District provides water services to residents within and outside the District.

The District's management believes these financial statements present all activities for which the District is financially accountable except debt service funds maintained by outside custodians are not included in these financial statements. These assets are described in Note 4 to the financial statements.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Deposits and Investments

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are reported as assets and are valued at cost. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its fund as an Enterprise Fund Type.

Enterprise Funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The District had the following significant Enterprise Fund:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**CARROLL WATER AND SEWER DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the District 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 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the District.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District invests in STAR Ohio (the State Treasurer's investment pool).

The carrying amount of cash and investments at December 31 was as follows:

	<u>2000</u>	<u>1999</u>
Demand deposits	\$426,999	\$171,618
STAR Ohio	<u>267,543</u>	<u>483,599</u>
Total deposits and investments	<u><u>\$694,542</u></u>	<u><u>\$655,217</u></u>

**CARROLL WATER AND SEWER DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

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

Budgeted vs. Actual Receipts		
	2000	1999
Budgeted Receipts	\$2,578,957	\$2,260,338
Actual Receipts	2,390,452	2,266,511
Variance	(\$188,505)	\$6,173

Budgeted vs. Actual Budgetary Basis Expenditures		
	2000	1999
Appropriation Authority	\$2,578,957	\$2,504,979
Budgetary Expenditures	2,351,127	2,264,864
Variance	\$227,830	\$240,115

4. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Water System Improvement Bonds - Issue 1	\$7,750,000	6.25%
Water System Improvement Bonds - Issue 2	3,130,000	6.25%
Carroll Township Loan	1,874,743	0.00%
Total	\$12,754,743	

The District issued voted general obligation water system improvement bonds to finance the construction of its water lines. Issue 1 bonds were issued January 1, 1996 for \$10,185,000 and have maturities through December 1, 2010. Issue 2 bonds were issued March 1, 1998 for \$3,750,000 and have maturities through December 1, 2010.

Since 1992, the District has received annual proceeds on a non-interest bearing loan from Carroll Township. These funds are to be repaid as funds are available, with no specific due date.

**CARROLL WATER AND SEWER DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

Year ending December 31:	Water System Improvement Bonds - Issue 1	Water System Improvement Bonds - Issue 2
1999	\$1,064,375	\$430,625
2000	1,068,125	430,937
2001	1,064,375	430,312
2002	1,068,438	428,750
2003	1,064,687	431,250
Subsequent	<u>5,324,063</u>	<u>2,151,250</u>
Total	<u><u>\$10,654,063</u></u>	<u><u>\$4,303,124</u></u>

5. RETIREMENT SYSTEMS

The District's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% in 1999 and 10.84% in 2000 of participants' gross salaries. The District has paid all contributions required through December 31, 2000.

6. RISK POOL MEMBERSHIP

The District belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.



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

Carroll Water and Sewer District
Ottawa County
10340 West State Route 2
Oak Harbor, Ohio 43449-9013

To the Board of Trustees:

We have audited the accompanying financial statements of Carroll Water and Sewer District, Ottawa County, Ohio, (the District) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 16, 2001. We conducted our audits 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 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the 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 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 the management of the District in a separate letter dated April 16, 2001.

Carroll Water and Sewer District
Ottawa County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended for the information and use of the audit committee, 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

April 16, 2001



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CARROLL WATER AND SEWER DISTRICT

OTTAWA 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
MAY 22, 2001**