



**Auditor of State
Betty Montgomery**

**CARROLL WATER AND SEWER DISTRICT
OTTAWA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Carroll Water and Sewer District
Ottawa County
10340 W. State Route 2
Oak Harbor, OH 43449-9013

To the Board of Trustees:

We have audited the accompanying financial statements of the Carroll Water and Sewer District (the District) as of and for the years ended December 31, 2002 and 2001. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2002 and 2001, 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 July 23, 2003 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.

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Betty Montgomery
Auditor of State

July 23, 2003

**CARROLL WATER AND SEWER DISTRICT
OTTAWA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	2002	2001
Operating Cash Receipts:		
Charges for Services	\$419,355	\$388,071
	419,355	388,071
Operating Cash Disbursements:		
Personal Services	197,871	190,861
Utilities	42,392	40,865
Other Contractual Services	33,893	50,562
Chemicals and Operating Supplies	48,598	51,740
General Administration	26,923	29,176
Insurance	5,715	7,269
Capital Outlay	70,034	204,712
	425,426	575,185
Operating Income/(Loss)	(6,071)	(187,114)
Non-Operating Cash Receipts:		
Local Taxes	1,309,117	1,515,522
Intergovernmental Revenues	16,895	35,339
Loans from Carroll Township		18,192
Miscellaneous	20,810	28,949
Interest	21,122	45,650
Other Non-Operating Revenues	39,600	142,900
	1,407,544	1,786,552
Non-Operating Cash Disbursements:		
Debt Service	1,499,063	1,495,000
Other Non-Operating Cash Disbursements	18,691	24,428
	1,517,754	1,519,428
Excess of Receipts Over/(Under) Disbursements	(116,281)	80,010
Cash Balances, January 1	774,552	694,542
Cash Balances, December 31	\$658,271	\$774,552

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, 2002 AND 2001**

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 a three-member Board of Trustees. Board members are appointed by the Trustees of Carroll Township. The District provides water services to residents of the District.

The District's management believes these financial statements present all activities for which the District is financially accountable.

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.

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

C. Deposits and Investments

Investments are reported as assets. 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.

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

D. Budgetary Process

The Ohio Revised Code requires the District to adopt an annual budget.

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 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 balances as of January 1.

**CARROLL WATER AND SEWER DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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 2002 and 2001 budgetary activity appears in Note 3.

E. 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.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

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:

	2002	2001
Demand deposits	\$84,648	\$174,296
STAR Ohio	573,623	600,256
Total deposits and investments	\$658,271	\$774,552

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or 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, 2002 and 2001 follows:

Budgeted vs. Actual Receipts		
Fund Type	2002	2001
Budgeted Receipts	\$2,300,077	\$2,197,399
Actual Receipts	1,826,899	2,174,623
Variance	(\$473,178)	(\$22,776)

**CARROLL WATER AND SEWER DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	2002	2001
Appropriation Authority	\$2,300,004	\$2,199,223
Budgetary Expenditures	1,943,180	2,094,613
Variance	<u>\$356,824</u>	<u>\$104,610</u>

4. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Water System Improvement Bond - Issue 1	\$6,550,000	6.25%
Water System Improvement Bond - Issue 2	2,645,000	6.25%
Carroll Township Loan	1,892,936	0.00%
Total	<u>\$11,087,936</u>	

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 various proceeds from a non-interest bearing loan from Carroll Township. The loan is to be repaid as funds are available, with no specific due date.

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
2003	\$1,064,375	\$430,313
2004	1,068,438	428,750
2005	1,064,688	431,250
2006	1,063,438	427,500
2007	1,064,375	432,812
2008 - 2010	3,196,250	1,290,938
Total	<u>\$8,521,564</u>	<u>\$3,441,563</u>

5. RETIREMENT SYSTEMS

The District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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.

**CARROLL WATER AND SEWER DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OPERS members contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

Risk Pool Membership

The District belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with approximately 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 coverage, 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. Effective September 1, 2002, the Plan retains 5 percent of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5 percent of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55 percent and 65 percent of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65 percent is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.



**Auditor of State
Betty Montgomery**

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

Carroll Water and Sewer District
Ottawa County
10340 W. State Route 2
Oak Harbor, OH 43449-9013

To the Board of Trustees:

We have audited the accompanying financial statements of Carroll Water and Sewer District (the District) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 23, 2003. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 management of the District in a separate letter dated July 23, 2003.

This report is intended solely 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 23, 2003



**Auditor of State
Betty Montgomery**

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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
AUGUST 28, 2003**