



Dave Yost • Auditor of State



**CARROLL WATER AND SEWER DISTRICT  
OTTAWA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Carroll Water and Sewer District, Ottawa County, Ohio (the District), as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of the Carroll Water and Sewer District, Ottawa County, Ohio, as of December 31, 2010 and 2009, and the changes in cash financial position for the years then ended.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2011, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

June 3, 2011

**CARROLL WATER AND SEWER DISTRICT  
OTTAWA COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2010 AND 2009**

This discussion and analysis, along with the accompanying basic financial statements and notes to the basic financial statements, of Carroll Water and Sewer District ("the District") is designed to provide our customers, creditors and other interested parties with a general overview of the District and its financial activities.

**FINANCIAL HIGHLIGHTS**

The District's net cash assets increased by \$143,367 (4.8%) in 2010 and \$186,239 (6.7%) in 2009.

The District's operating cash receipts increased by \$49,202 (8.9%) in 2010 and decreased by \$66,833 (10.8%) in 2009. Operating cash disbursements increased by \$65,751 (11.9%) in 2010 and \$37,050 (7.2%) in 2009.

**OVERVIEW OF BASIC FINANCIAL STATEMENTS**

The District is a single enterprise fund using proprietary fund accounting, similar to private sector business. The basic financial statements are presented using the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The statements of net assets-cash basis and the statements of cash receipts, disbursements and changes in net assets-cash basis provide information on the District's cash basis operations over the past two years and the success of recovering all its costs through user fees, charges, and other income. Receipts are reported when received and disbursements are reported when paid.

**BASIS OF ACCOUNTING**

The basis of accounting is a set of guidelines that determines when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**CARROLL WATER AND SEWER DISTRICT  
OTTAWA COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2010 AND 2009  
(Continued)**

**STATEMENTS OF NET ASSETS-CASH BASIS**

Table 1 summarizes the Statements of Net Assets of the District.

**Table 1  
Statements of Net Assets-Cash Basis**

	<u>2010</u>	<u>2009</u>	<u>Change Amount</u>	<u>2008</u>	<u>Change Amount</u>
Assets					
Cash and Cash Equivalents	\$3,122,810	\$2,979,443	\$143,367	\$2,793,204	\$186,239
<b>Total Assets</b>	<u>3,122,810</u>	<u>2,979,443</u>	<u>143,367</u>	<u>2,793,204</u>	<u>186,239</u>
Net Assets					
Unrestricted	3,122,810	2,979,443	143,367	2,793,204	186,239
<b>Total Net Assets</b>	<u>\$3,122,810</u>	<u>\$2,979,443</u>	<u>143,367</u>	<u>\$2,793,204</u>	<u>\$186,239</u>

The District's increases in net cash assets for 2010 and 2009 are a result of higher receipts over disbursements in each year.

**STATEMENTS OF CHANGES IN NET ASSETS – CASH BASIS**

Table 2 below summarizes the changes in cash receipts, cash disbursements and the resulting change in net assets.

**Table 2  
Statements of Cash Receipts, Disbursements and Changes in Net Assets – Cash Basis**

	<u>2010</u>	<u>2009</u>	<u>Change Amount</u>	<u>2008</u>	<u>Change Amount</u>
Operating Cash Receipts	\$ 599,334	\$ 550,132	\$ 49,202	\$ 616,965	\$ (66,833)
Operating Cash Disbursements	617,474	551,723	65,751	514,673	37,050
Operating Cash Receipts Over/ (Under) Operating Cash Disbursements	(18,140)	(1,591)	(16,549)	102,292	(103,883)
Non-Operating Cash Receipts	1,684,717	1,724,580	(39,863)	1,889,431	(164,851)
Non-Operating Cash Disbursements	1,523,210	1,536,750	(13,540)	1,540,283	(3,533)
Changes in Net Assets	143,367	186,239	(42,872)	451,440	(265,201)
Net Assets, January 1	2,979,443	2,793,204	186,239	2,341,764	451,440
Net Assets, December 31	<u>\$3,122,810</u>	<u>\$2,979,443</u>	<u>\$143,367</u>	<u>\$2,793,204</u>	<u>\$186,239</u>

For 2010, operating cash receipts increased due to a rate increase. Operating cash disbursements increased due mainly to an increase in capital outlay for painting the water tower. This increase was partially offset by a decrease in other outlays resulting from cash disbursements in 2009 for radio read transmitters, a computer, and computer software which did not occur in 2010. Non-operating cash receipts decreased mainly due to a decrease in property tax collections.

For 2009, operating cash receipts decreased due to lower usage than in 2008. Operating cash disbursements increased due mainly to increased capital outlay, which was partially offset by decreased salaries and benefits. Non-operating cash receipts decreased due mainly to decreased intergovernmental receipts from the State for the reimbursement of public utility taxes, property tax collections which resulted from the continued phase out of tangible personal property tax, and interest earnings resulting from decreased interest rates.



**CARROLL WATER AND SEWER DISTRICT  
OTTAWA COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2010 AND 2009  
(Continued)**

**CAPITAL ASSETS**

The District does not record capital assets in the accompanying basic financial statements under the cash basis of accounting, but records payments for capital assets as disbursements. The District recorded capital outlay of \$125,267 and \$65,979 in 2010 and 2009, respectively.

**DEBT**

Under the cash basis of accounting, the District does not report bonds, capital leases, or loans in the accompanying basic financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information in Table 3 about bonds and loans. Additional information regarding debt can be found in Note F to the Basic Financial Statements.

**Table 3  
Long-Term Debt Obligations**

	<u>2010</u>	<u>2009</u>	<u>Change Amount</u>	<u>2008</u>	<u>Change Amount</u>
Water System Improvement Bonds		\$1,405,000	(\$1,405,000)	\$2,730,000	(\$1,325,000)
Ohio Public Works Commission Loan	\$51,860	55,437	(3,577)	59,014	(3,577)
Carroll Township Loan	1,892,935	1,892,935		1,892,935	
Capital Leases		6,040	(6,040)	21,805	(15,765)
Total Long Term Debt	<u>\$1,944,795</u>	<u>\$3,359,412</u>	<u>(\$1,414,617)</u>	<u>\$4,703,754</u>	<u>(\$1,344,342)</u>

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents on December 31, 2010 and 2009 were \$3,122,810 and \$2,979,443, respectively.

**CURRENT ISSUES**

The Carroll Water and Sewer District strives to treat the water from Lake Erie to maintain the high standards required by the Ohio Environmental Protection Service for a Public Drinking Water System. In order to maintain this quality of service, the District reviews the adequacy of its water rates on an annual basis to ensure that expenses are being met.

**CONTACT INFORMATION**

Questions regarding this report and requests for additional information should be forwarded to the Carroll Water and Sewer District, 10340 West State Route 2, Oak Harbor, Ohio 43449 or (419) 898-5028.

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**CARROLL WATER AND SEWER DISTRICT  
OTTAWA COUNTY**

**STATEMENTS OF NET ASSETS - CASH BASIS  
AS OF DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Cash and Cash Equivalents	<u>\$3,122,810</u>	<u>\$2,979,443</u>
<b>Net Assets</b>		
Unrestricted	<u>\$3,122,810</u>	<u>\$2,979,443</u>

*See accompanying notes to the basic financial statements.*

**CARROLL WATER AND SEWER DISTRICT  
OTTAWA COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGED IN NET ASSETS - CASH BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>Operating Cash Receipts</b>		
Charges for Services	\$599,334	\$550,132
 <b>Operating Cash Disbursements</b>		
Personal Services	295,742	288,343
Insurance	9,109	9,098
Utilities	55,795	51,334
General Office Expense, Telephone and Miscellaneous	19,489	20,813
Other Contractual Services	33,611	26,763
Testing and Chemical Expenses	47,764	43,923
Meters, Piping and Supplies Expense	23,438	22,213
Auto Expense	4,644	3,442
Capital Outlay	125,267	65,979
Other Outlays	2,615	19,815
Total Operating Cash Disbursements	617,474	551,723
 Operating Cash Disbursements Over Operating Cash Receipts	(18,140)	(1,591)
 <b>Non-Operating Cash Receipts</b>		
Tap Fees - New Taps	4,900	5,700
Tap Fees - Outside District		2,400
Rent and Miscellaneous	13,888	13,066
Property Taxes	716,950	745,976
Intergovernmental Receipts:		
State	944,541	948,010
Interest	4,438	9,428
Total Non-Operating Cash Receipts	1,684,717	1,724,580
 <b>Non-Operating Cash Disbursements</b>		
Debt Service - Principal	1,414,617	1,344,342
Debt Service - Interest	88,171	171,848
Auditor and Treasurer Fees	20,422	20,560
Total Non-Operating Cash Disbursements	1,523,210	1,536,750
 Change in Net Assets	143,367	186,239
 Net Assets, January 1	2,979,443	2,793,204
 Net Assets, December 31	\$3,122,810	\$2,979,443

*See accompanying notes to the basic financial statements.*

**CARROLL WATER AND SEWER DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009**

**NOTE A - NATURE OF ORGANIZATION**

The Carroll Water and Sewer District, Ottawa County, Ohio (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 was created during 1991 by the Court of Common Pleas of Ottawa County to provide water and sewer services to the residents of Carroll Township in accordance with the provisions of Ohio Revised Code Section 6119 et.seq. A three (3) member appointed Board of Trustees who are appointed by the Trustees of Carroll Township manage the District.

In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* (an amendment of GASB Statement No. 14), the accompanying financial statements include only the accounts and transactions of the District. Under the criteria specified in these GASB Statements, the District has no component units nor is it considered a component unit of the State of Ohio. The District is considered, however, a political subdivision to the State of Ohio. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The District is not financially accountable for any other organizations. This is evidenced by the fact that the District is a legally and fiscally separate and distinct organization. The District is solely responsible for its finances. The District is empowered to issue debt payable solely from District receipts.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if it appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services performed or provided by the organization; or (2) is legally entitled to or can otherwise access the organization's resources; is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or is obligated for the debt of the organization. Based upon the application of these criteria, the District has no component units.

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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Under the guidelines of GASB Statement No. 20, the District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its proprietary activities. The adoption of this approach to accounting for proprietary activities by the District required no change from prior years. A summary of the significant accounting policies applied in preparation of the accompanying financial statements follows:

**1. Basis of Accounting**

These financial statements follow the cash basis of accounting, (a comprehensive basis of accounting other than generally accepted accounting principles). Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

As a result of the use of the basis of accounting as described above, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the basis of accounting as described above.

**CARROLL WATER AND SEWER DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009  
(Continued)**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State in accordance with the basis of accounting as described above.

**2. Cash and Cash Equivalents**

For reporting purposes, the District considers “Cash and Cash Equivalents” to be cash on hand, demand deposits, and all investments held by the District with a maturity date less than or equal to three months from the date of purchase. The investment in STAR Ohio (the State Treasurer’s investment pool) is valued at amounts reported by the State Treasurer.

**3. Basis of Presentation - Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The District has created a single fund type and a single fund within that fund type. The fund accounts for the governmental resources allocated to it and the segregation of cash and investments for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

The fund type that the District uses is described below:

**Proprietary Fund Type** – This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the District is the Enterprise Fund.

**Enterprise Fund** – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing certain goods or services to the general public on a continuing basis are financed or received primarily through user charges.

**4. Budgetary Process**

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

**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. Appropriation authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The District must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

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

**Encumbrances** – The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2010 and 2009 budgetary activity appears in Note D.

**CARROLL WATER AND SEWER DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009  
(Continued)**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. Capital Assets**

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

**6. Unpaid Vacation and Sick Leave**

An employee with at least ten (10) years of service for the District may elect, at the time of retirement from active service, to be paid in cash for one hundred percent (100%) of the value of up to one thousand (1,000) hours of the employee's accrued but unused sick leave.

Upon the death of an employee, the employee's family or estate shall be paid for one hundred percent (100%) of the value of up to two thousand eighty (2,080) hours of the employee's accrued but unused sick leave.

Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**7. Tax Exempt Status**

The District operates as a public water and sewer system exempt from federal income tax under Internal Revenue Code Section 501(c)(1).

**8. Long-Term Obligations**

In general, bonds and loans are recorded as cash disbursements in the basic financial statements when paid. These items are not reflected as liabilities on the accompanying financial statements.

**9. Net Assets**

Net assets represent the difference between assets and liabilities. Since under the District's current basis of accounting, the District does not record any other assets other than cash and cash equivalents and does not record any liabilities, net assets are equal to cash and cash equivalents. The District currently does not record any restrictions on their net assets.

**10. Operating Cash Receipts and Cash Disbursements**

Operating cash receipts are those receipts that are generated directly from the primary activity of the proprietary fund. For the District, these cash receipts are charges for water and sewer services provided. Operating cash disbursements are necessary costs incurred to provide the goods and/or services that are the primary activity of the fund. Receipts and disbursements not meeting these criteria are reflected as non-operating in the basic financial statements.

**CARROLL WATER AND SEWER DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009  
(Continued)**

**NOTE C – CASH AND CASH EQUIVALENTS – LEGAL REQUIREMENTS FOR DEPOSITS WITH FINANCIAL INSTITUTIONS**

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District 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 Board of Trustees has identified as not required for use within the current five-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 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. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) and (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;



**CARROLL WATER AND SEWER DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009  
(Continued)**

**NOTE C – CASH AND CASH EQUIVALENTS – LEGAL REQUIREMENTS FOR DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)**

10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which both the obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as a 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 monies deposited with the institution.

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 treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits:** For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's bank balances were \$23,540 and \$58,421 as of December 31, 2010 and 2009, respectively. Of the bank balances, 100 percent were covered by federal depository insurance for each year.

**Investments:** As of December 31, 2010 and 2009, the District had the following investments and maturities:

	<b>2010</b>		<b>2009</b>	
	<b>Fair Value</b>	<b>Weighted Average Maturity (Yrs.)</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Yrs.)</b>
STAR Ohio	<u>\$3,099,222</u>	< One Year	<u>\$2,920,136</u>	< One Year
Total Fair Value	<u>\$3,099,222</u>		<u>\$2,920,136</u>	

**Interest rate risk** – In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

**Credit risk** – Credit risk is the risk than an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy does not address credit risk beyond the requirements of the Ohio Revised Code. The District limits their investments to STAR Ohio. Investments in STAR Ohio were rated AAAM by Standard & Poor's.

**CARROLL WATER AND SEWER DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009  
(Continued)**

**NOTE C – CASH AND CASH EQUIVALENTS – LEGAL REQUIREMENTS FOR DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)**

**Concentration of credit risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District’s investment policy allows investments in STAR Ohio, repurchase agreements, certificates of deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. The District has invested 100% in STAR Ohio.

**Custodial credit risk** – Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investment policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

**NOTE D – BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2010 and 2009 was as follows:

<b>Budgeted vs. Actual Receipts</b>		
	<b>2010</b>	<b>2009</b>
Budgeted Receipts	\$1,709,165	\$2,373,225
Actual Receipts	2,284,051	2,274,712
Variance	\$574,886	(\$98,513)
<b>Budgeted vs. Actual Budgetary Basis Expenditures</b>		
	<b>2010</b>	<b>2009</b>
Appropriation Authority	\$2,467,278	\$2,391,009
Budgetary Expenditures	2,140,684	2,088,473
Variance	\$326,594	\$302,536

**NOTE E – PROPERTY TAX**

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the District. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected separately in the accompanying financial statements. Payments are due to the County in February and July of each year. The first half is due February 28. The second half payment is due in July. Tangible personal property tax is assessed by the property owners, who must file a list of such property with the County by each April 30. The County is responsible for assessing property, and for billing, collecting and distributing all property taxes on behalf of the District.

**CARROLL WATER AND SEWER DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009  
(Continued)**

**NOTE F - DEBT**

Under the District's current basis of accounting, debt obligations are not reported as a liability in the accompanying basic financial statements. However, information regarding current and long-term debt at December 31, 2010 is as follows:

	<u>Balance 1/1/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/10</u>	<u>Due Within One Year</u>
Water System Improvement Bonds Issue 1 – 6.25%	\$1,000,000		\$1,000,000		
Water System Improvement Bonds Issue 2 – 6.25%	405,000		405,000		
Ohio Public Works Commission Loan – 0%	55,437		3,577	\$51,860	\$3,577
Carroll Township Loans – 0%	1,892,935			1,892,935	
Capital Leases	6,040		6,040		
<b>Total</b>	<u>\$3,359,412</u>		<u>\$1,414,617</u>	<u>\$1,944,795</u>	<u>\$3,577</u>

Water System Improvement Bonds (Issue 1) consist of general obligation bonds issued in 1996, for \$10,185,000. The general obligation bonds will be repaid over a fifteen-year period, with the final payment occurring during 2010.

Water System Improvement Bonds (Issue 2) were issued in March 1998, for \$3,750,000. The general obligation bonds will be repaid over a thirteen-year period, with the final payment occurring during 2010.

In 2005, the District obtained a \$71,532, interest free loan from the Ohio Public Works Commission, for a water distribution system corrosion control improvement project. The loan will be repaid in semi-annual installments of \$1,788 over a twenty-year period.

In 1992, the District obtained a \$30,000, interest free loan from Carroll Township, to be repaid as funds are available, with no specified due date. In 1993, the District obtained a \$200,000, interest free loan from Carroll Township, to be repaid as funds are available, with no specified due date. In 1998, the District obtained a \$1,003,322, interest free loan from Carroll Township, to be repaid as funds are available, with no specified due date. In 1999, the District obtained a \$265,890, interest free loan from Carroll Township, to be repaid as funds are available, with no specified due date. In 2000, the District obtained a \$375,531, interest free loan from Carroll Township, to be repaid as funds are available, with no specified due date. In 2001, the District obtained a \$18,192, interest free loan from Carroll Township, to be repaid as funds are available, with no specified due date. As of December 31, 2010, no repayments have been made to Carroll Township for these loans.

Amortization of the debt is as follows:

<u>Year Ending December 31:</u>	<u>Principal</u>
2011	\$3,577
2012	3,577
2013	3,577
2014	3,577
2015	3,577
2016-2020	17,882
2021-2025	16,093
	<u>\$51,860</u>

**CARROLL WATER AND SEWER DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009  
(Continued)**

**NOTE F – DEBT (Continued)**

The Carroll Township loans are not included in the above amortization schedule because they have no specified due dates.

Capital lease information appears in Note J.

**NOTE G – DEFINED BENEFIT RETIREMENT PLAN**

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
- 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
  - 2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
  - 3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
- B. OPERS provides retirement, disability, and survivor and death benefits and annual cost-of-living adjustments to qualifying members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans.

The member contribution rates were 10.0% for 2010, 2009, and 2008 for the District.

The employer contribution rates were 14.0% for 2010, 2009, and 2008 of covered payroll for the District.

The District's contributions to OPERS for the years ended December 31, 2010, 2009, and 2008 were \$49,741, \$48,539, and \$51,931, respectively, which were equal to the required contributions for those years.

**CARROLL WATER AND SEWER DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009  
(Continued)**

**NOTE H - POSTEMPLOYMENT BENEFITS**

- A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the TP and the CO Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interest parties may obtain a copy by writing OPERS, Attention: Financial Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

- B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer's contributions are expressed as a percentage of the covered payroll of active members. In 2010, the District contributed at 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14.0% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2010, the employer contributions allocated to the health care plan was 5.5% of covered payroll. For 2009, the employer contributions allocated to the health care plan from January 1 through March 31, 2009 and April 1 through December 31, 2009 were 7.0% and 5.5%, respectively. For 2008, the employer contributions allocated to the health care plan were 6.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits were \$19,543 for 2010, \$20,369 for 2009, and \$22,256 for 2008.

**CARROLL WATER AND SEWER DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009  
(Continued)**

**NOTE H - POSTEMPLOYMENT BENEFITS (Continued)**

- D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**NOTE I – RISK MANAGMENT**

**Risk Pool Membership**

The District is exposed to various risks of loss due to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 its own policies and reinsures with A-VII or better rated carriers, except for a 5 percent portion the Plan retains. With policies effective September 1, 2003 and after, the Plan pays the lesser of 5 percent or \$25,000 for casualty losses up to the coverage limit and the lesser of 5 percent or \$50,000 for property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years and there were no significant reductions in coverage from the prior year.

The Plan's financial statements (audited by other auditors – most recent dates available) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$11,176,186	\$10,471,114
Liabilities	<u>(4,852,485)</u>	<u>(5,286,781)</u>
Members' Equity	<u>\$ 6,323,701</u>	<u>\$5,184,333</u>

You can read the complete audited financial statements for the Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**CARROLL WATER AND SEWER DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009  
(Continued)**

**NOTE J – CAPITAL LEASES**

In a prior year, the District entered into capitalized leases for the acquisition of vehicles. The leases meet the criteria of capital leases as defined by FASB Statement No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements. Principal payments for 2010 totaled \$6,040. The leases were paid in full as of December 31, 2010.

**NOTE K – CONTINGENT LIABILITIES**

The District is not currently party to litigation.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the basic financial statements of the Carroll Water and Sewer District, Ottawa County, Ohio (the District), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 3, 2011, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Carroll Water and Sewer District  
Ottawa County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated June 3, 2011.

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

June 3, 2011



# Dave Yost • Auditor of State

**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  
JULY 5, 2011**