



Mary Taylor, CPA  
Auditor of State



**GEORGETOWN WATER DISTRICT  
HARRISON COUNTY**

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# Mary Taylor, CPA

Auditor of State

Georgetown Water District  
Harrison County  
77075 Zitko Road  
Cadiz, Ohio 43907

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 21, 2008

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# Mary Taylor, CPA

Auditor of State

## **INDEPENDENT ACCOUNTANTS' REPORT**

Georgetown Water District  
Harrison County  
77075 Zitko Road  
Cadiz, Ohio 43907

To the Board of Trustees:

We have audited the accompanying financial statements of Georgetown Water District, Harrison County, (the District) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Authorities to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Georgetown Water District  
Harrison County  
Independent Accountants' Report  
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Georgetown Water District, Harrison County, as of December 31, 2007 and 2006, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2008, 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.



**Mary Taylor, CPA**  
Auditor of State

October 21, 2008

**GEORGETOWN WATER DISTRICT  
HARRISON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$50,272	\$42,003
Miscellaneous	738	467
 Total Operating Cash Receipts	 51,010	 42,470
<b>Operating Cash Disbursements:</b>		
Personal Services	6,267	6,261
Repairs and Maintenance	16,188	4,726
Testing and Licenses	700	302
Chemicals and Operating Supplies	14,130	15,947
Office Supplies and Materials	758	800
Insurance	775	839
Capital Outlay	0	195
 Total Operating Cash Disbursements	 38,818	 29,070
<b>Operating Income/(Loss)</b>	<b>12,192</b>	<b>13,400</b>
<b>Non-Operating Cash Disbursements:</b>		
Redemption of principal	13,262	12,215
Interest and fiscal charges	1,738	2,215
 Total Non-Operating Cash Disbursements	 15,000	 14,430
<b>Net Receipts Over/(Under) Disbursements</b>	<b>(2,808)</b>	<b>(1,030)</b>
<b>Cash Balances, January 1</b>	<b>20,602</b>	<b>21,632</b>
<b>Cash Balances, December 31</b>	<b><u>\$17,794</u></b>	<b><u>\$20,602</u></b>

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

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**GEORGETOWN WATER DISTRICT  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges for the Georgetown Water District, Harrison County, (the District) as a body corporate and politic. The District is directed by an appointed five-member Board of Trustees. The Board members are appointed by the Harrison County Common Pleas Judge. The District provides water and sewer 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. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The District values certificates of deposit at cost.

**D. Budgetary Process**

The Ohio Revised Code requires the Board to budget annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function or object 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 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 as of January 1.

**GEORGETOWN WATER DISTRICT  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**3. 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. The District did not use the encumbrance method of accounting.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**E. Property, Plant, and Equipment**

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The District invests in certificates of deposit. The carrying amount of cash and investments at December 31 was as follows:

	<b>2007</b>	<b>2006</b>
Demand deposits	\$5,748	\$9,100
Certificates of deposit	12,046	11,502
Total deposits	<b>\$17,794</b>	<b>\$20,602</b>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

<b>2007 Budgeted vs. Actual Receipts</b>		
Budgeted Receipts	Actual Receipts	Variance
\$0	\$51,010	\$51,010

<b>2007 Budgeted vs. Actual Budgetary Basis Expenditures</b>		
Appropriation Authority	Budgetary Expenditures	Variance
\$0	\$53,918	(\$53,918)

<b>2006 Budgeted vs. Actual Receipts</b>		
Budgeted Receipts	Actual Receipts	Variance
\$0	\$42,470	\$42,470

**GEORGETOWN WATER DISTRICT  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. BUDGETARY ACTIVITY - (Continued)**

2006 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$0	<u>\$43,500</u>	<u>(\$43,500)</u>

The District failed to adopt an operating budget to certify the total amount from all sources, which is available for expenditures and to adopt appropriations, contrary to Ohio Revised Code Sections 5705.28(B)(2), 5705.36 and 5705.38. Contrary to Ohio Revised Section 5705.41(B), all expenditures exceeded appropriations because there no appropriations

**4. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Water Revenue Bonds	<u>\$14,288</u>	<u>5%</u>
Total	<u>\$14,288</u>	

The District issued water revenue bonds to finance the installation of water lines. The bonds are collateralized solely by the future revenues generated by the District's water operations.

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

Year ending December 31:	Water Revenue Bonds
2008	<u>\$5,714</u>
2009	<u>5,464</u>
2010	<u>4,503</u>
Total	<u>\$15,681</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. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS regular members contributed 9.5% and 9% respectively, of their gross salaries and the District contributed an amount equaling 13.85% and 13.7% respectively of participants' gross salaries. The District has paid all contributions required through December 31, 2007.

**GEORGETOWN WATER DISTRICT  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**6. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



# Mary Taylor, CPA

Auditor of State

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

Georgetown Water District  
Harrison County  
77075 ZitKo Road  
Cadiz, Ohio 43907

To the District Board of Trustees:

We have audited the financial statements of Georgetown Water District, Harrison County (the District) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 21, 2008, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 expressing our opinion on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted certain matters that we reported to the District's management in a separate letter dated October 21, 2008.

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

**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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-003.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated October 21, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

October 21, 2008

GEORGETOWN WATER DISTRICT  
HARRISON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2007-001

**Noncompliance Citation**

**Ohio Revised Code Section 5705.28(B)(2)** applies to entities that do not levy taxes and requires adoption of an operating budget for the ensuing year. The budget shall include an estimate of receipts from all sources, a statement of all expenses that are anticipated to occur and the amount required for debt charges during the fiscal year. This section also requires the entity to follow **Ohio Revised Code Section 5705.36**, which states that the Fiscal Officer shall prepare a certificate showing the total amount from all sources, which is available for expenditures along with any balances that existed at the end of the preceding year. However this certificate prepared in accordance Ohio Revised Code 5705.36 does not need to be filed with the County Auditor.

The District did not adopt an operating budget for 2006 or 2007 and did not prepare a certificate showing the total amount available from all sources available for expenditure for 2006 or 2007. Failure by the District to adopt a budget increases the risk of overspending and deficit balances. The District should adopt an operating budget and prepare the certificate of available resources. The budget should be used during the fiscal year to compare actual receipts and expenses to the estimated amounts.

FINDING NUMBER 2007-002

**Noncompliance Citation**

**Ohio Revised Code Section 5705.38** requires, in part, that on or about the first day of the fiscal year, an appropriation measure be passed. **Ohio Revised Code Section 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The District did not adopt an appropriation measure for either 2006 or 2007 and expenditures are limited by the appropriations established for each fund; therefore, all expenditures made by the District in 2006 (\$41,984) and in 2007 (\$42,427) were not in compliance with the Ohio Revised Code.

Failure to pass an appropriation measure, which serves as a tool by which expenditures can be monitored, could result in overspending. The District should pass an appropriation measure as required so that expenditures can be monitored and compliance with the Ohio Revised Code provisions can be attained. Expenditures should be limited to Board of Trustees approved appropriations for each fund.

FINDING NUMBER 2007-003

**Noncompliance Citation**

**Ohio Revised Code Section 5705.41(D)** provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

- 1. Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees if such expenditure is otherwise valid.

- 2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- 3. Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The District did not properly certify the amount against the applicable appropriation accounts for 100% of tested expenditures in 2006 and 2007. The District did not utilize the certification exceptions described above.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Unless the exceptions noted above are used properly, prior certification is not only required by statute but it is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the water district's funds exceeding budgetary spending limitations, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the water district. When prior certification is not possible, "then and now" certification should be used.

The District should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language, which Ohio Revised Code Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the water district incurs a commitment and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

### **Officials' Response**

We did not receive a response from officials to the findings reported above.

GEORGETOWN WATER DISTRICT  
HARRISON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Revised Code Sections 5705.28(B)(2) and 5705.36	No	Not corrected, Reissued as 2007-001
2005-002	Ohio Revised Code Sections 5705.38 and, 5705.41(B)	No	Not corrected, Reissued as 2007-002
2005-003	Ohio Revised Code Section 5705.41 (D)	No	Not corrected, Reissued as 2007-003





# Mary Taylor, CPA

Auditor of State

## GEORGETOWN WATER DISTRICT

HARRISON 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 2, 2008