



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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

October 18, 2010

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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, 2009 and 2008. 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 Districts 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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position for the years then ended.

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, 2009 and 2008, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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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 18, 2010, 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.

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

**Mary Taylor, CPA**  
Auditor of State

October 18, 2010



**GEORGETOWN WATER DISTRICT  
HARRISON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<b>2009</b>	<b>2008</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$38,776	\$40,912
Miscellaneous	1	151
	<u>38,777</u>	<u>41,063</u>
Total Operating Cash Receipts		
<b>Operating Cash Disbursements:</b>		
Personal Services	7,317	6,791
Repairs and Maintenance	1,657	3,908
Testing and Licenses	483	296
Other Contractual Services	98	4,394
Chemicals and Operating Supplies	13,641	12,662
Office Supplies and Materials	444	697
Insurance	922	925
	<u>24,562</u>	<u>29,673</u>
Total Operating Cash Disbursements		
Operating Income/(Loss)	<u>14,215</u>	<u>11,390</u>
<b>Non-Operating Cash Receipts:</b>		
Miscellaneous	72	168
Other Non-Operating Revenues		93
	<u>72</u>	<u>261</u>
Total Non-Operating Cash Receipts		
<b>Non-Operating Cash Disbursements:</b>		
Debt Service		
Redemption of Principal	714	13,574
Interest and Fiscal Charges		714
Other Non-Operating Cash Disbursements	10	30
	<u>724</u>	<u>14,318</u>
Total Non-Operating Cash Disbursements		
Net Receipts Over/(Under) Disbursements	<u>13,563</u>	<u>(2,667)</u>
Cash Balances, January 1	<u>15,127</u>	<u>17,794</u>
<b>Cash Balances, December 31</b>	<b>\$28,690</b>	<b>\$15,127</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, 2009 AND 2008**

**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 Board members are appointed by the Harrison County Common Pleas Judge. There are five Board members. 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. 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. Deposits 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 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, 2009 AND 2008  
(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 2009 and 2008 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. DEPOSITS AND INVESTMENTS**

The District may invest in certificates of deposits, notes, bonds, or other obligations of the United States, or any agency or instrumentality thereof, or in obligations of the State or any political subdivision thereof.

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

	2009	2008
Demand deposits	\$22,748	\$9,257
Certificates of deposit	5,942	5,870
Total deposits	\$28,690	\$15,127

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

**Budgeted vs. Actual Receipts**

	2008	2009
Actual Receipts	\$41,324	\$38,849
Budgeted Receipts	41,324	44,100
Variance	\$0	(\$5,251)

**Appropriation Authority vs. Actual Budgetary Expenditures**

	2008	2009
Appropriation Authority	\$0	\$33,935
Budgetary Expenditures	43,991	25,286
Variance	(\$43,991)	\$8,649

**GEORGETOWN WATER DISTRICT  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

Contrary to Ohio Revised Code Sections 5705.28(B)(2) and 5705.36, the District failed to adopt an operating budget and failed to prepare a certificate of the total amount from all sources for either year of the audit. Also, contrary to Ohio Revised Code Sections 5705.38 and 5705.41(B), the District failed to pass an appropriation measure in 2008 and therefore all expenditures in 2008 exceeded appropriations.

**4. RETIREMENT SYSTEM**

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 2009 and 2008, OPERS members contributed 10%, respectively, of their gross salaries and the District contributed an amount equaling 14%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2009.

**5. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

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

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# 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, 2009 and 2008, and have issued our report thereon dated October 18, 2010, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 the purpose of expressing our opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-004 described in the accompanying schedule of findings to be a material weakness.

### **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 2009-001 through 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated October 18, 2010.

We intend this report solely for the information and use of management, the District 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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

October 18, 2010



**GEORGETOWN WATER DISTRICT  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-001**

**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 with Ohio Revised Code 5705.36 does not need to be filed with the County Auditor.

The District did not adopt an operating budget for 2009 or 2008. The District did not prepare a certificate showing the total amount available from all sources available for expenditure for 2008 and did not prepare the certificate until March 18, 2008 for 2009. Failure by the District to adopt a budget increases the risk of overspending and deficit balances.

The District should adopt an operating budget and should prepare the certificate of available resources on or about the first day of the fiscal year. The budget should be used during the fiscal year to compare actual receipts and expenses to the estimated amounts.

**FINDING NUMBER 2009-002**

**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 2008 and expenditures are limited by the appropriations established for each fund; therefore, all expenditures made by the District in 2008 (\$43,991) 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 on or about January 1st, 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. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

## FINDING NUMBER 2009-003

### 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 a 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 District 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 District 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 certify or record the amount against the applicable appropriation accounts for 100% of tested expenditures in 2008 and 2009. The District did not utilize the certification exceptions described above for those expenditures lacking prior certification.

**FINDING NUMBER 2009-003  
(Continued)**

Failure to certify the availability of funds and encumber appropriations could result in overspending in negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is 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 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 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 Secretary/Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Secretary/Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2009-004**

**Material Weakness**

**Posting of Receipts and Disbursements**

The District did not correctly post all receipts and disbursements in 2008 and 2009, resulting in adjustments to the financial statements. The District Fiscal Officer has agreed to and posted the adjustments to the District's accounting records. The corrected amounts are reflected in the accompanying financial statements.

<b>Fund Name</b>	<b>Account Type</b>	<b>Amount</b>	<b>Description</b>
<b>2008</b>			
General Fund	Other Non-Operating Disbursements	\$30	Returned check fees not posted.
General Fund	Office Supplies and Materials Disbursements	\$57	Purchase of checks not posted.
General Fund	Decreased Chemicals and Operating Supplies (\$1,047) Decreased Capital Outlay (\$780)	\$2,187	Two separate bank transfers had been posted as disbursements
General Fund	Decreased Charges for Services Revenues	\$1,838	\$1,545 deposit-in-transit from 2007 posted again as a receipt in 2009. \$293 returned checks not posted as a reduction in receipts.
General Fund	Other Non-Operating Revenues	\$93	Stale-dated check removed from outstanding check list, but not added back to fund balance.

**FINDING NUMBER 2009-004  
(Continued)**

<b>2009</b>			
General Fund	Other Non-Operating Disbursements	\$10	Returned check fees not posted.
General Fund	Decreased Chemicals and Operating Disbursements	\$1,511	Bank transfers had been posted as disbursements.
General Fund	Decreased Charges for Services	\$1,848	\$25 in returned checks for Charges for Services that were not reflected as such. \$1,823 posted as charges for services receipt when bank account was closed.

Failure to consistently post all transactions increases the possibility the District will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements.

The District Fiscal Officer should maintain the accounting system to enable the District to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. The District should adopt procedures for the review of posted transactions and subsequent reporting on the financial statements. In addition, the District should adopt procedures for the preparation of accurate monthly reconciliations and procedures for the review of posted transactions.

**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, 2009 AND 2008**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Ohio Revised Code Sections 5705.28(B)(2) and 5705.36	No	Not corrected. Reissued as 2009-001.
2007-002	Ohio Revised Code Sections 5705.38 and 5705.41(B).	No	Partially corrected. Reissued as 2009-002.
2007-003	Ohio Revised Code Section 5705.41(D).	No	Not corrected – Reissued as 2009-003.

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**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.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 23, 2010**