



**Auditor of State  
Betty Montgomery**



HARRISON GERMANO WATER SEWER DISTRICT  
HARRISON COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances – For the Years Ended December 31, 2001 and 2000.....	3
Notes to the Financial Statements .....	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	9
Schedule of Findings.....	11

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**Auditor of State  
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS**

Harrison Germano Water Sewer District  
Harrison County  
90670 Mill Road  
Jewett, Ohio 43986-9728

To the Board of Trustees:

We have audited the accompanying financial statements of Harrison Germano Water Sewer District (the District) as of and for the years ended December 31, 2001 and December 31, 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, cash of the District as of December 31, 2001 and December 31, 2000, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Harrison Germano Water Sewer District  
Harrison County  
Report of Independent Accountants  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

June 5, 2003

**HARRISON GERMANO WATER SEWER DISTRICT  
HARRISON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$18,400	\$17,970
Interest	690	989
Miscellaneous	<u>510</u>	<u>0</u>
 Total Operating Cash Receipts	 <u>19,600</u>	 <u>18,959</u>
<b>Operating Cash Disbursements:</b>		
General Government	2,025	1,442
Utilities	2,579	2,021
Refunds of Deposits		62
Contractual Services	1,225	1,390
Other Contractual Services		
Chemicals and Operating Supplies	1,780	1,113
Office Supplies and Materials	1,024	1,076
Insurance	1,999	925
Debt Service		
Redemption of Principal	6,791	5,359
Interest	<u>5,714</u>	<u>4,635</u>
 Total Operating Cash Disbursements	 <u>23,137</u>	 <u>18,023</u>
 Operating Income/(Loss)	 <u>(3,537)</u>	 <u>936</u>
 Cash Balances, January 1	 <u>23,167</u>	 <u>22,231</u>
 <b>Cash Balances, December 31</b>	 <b><u>\$19,630</u></b>	 <b><u>\$23,167</u></b>

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

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**HARRISON GERMANO WATER SEWER DISTRICT  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Harrison Germano Water Sewer District, Harrison County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a five-member Board of Trustees. One Board member is appointed by each political subdivision within the District. The District provides water services to residents of the District.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

**C. Deposits and Investments**

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

Star Ohio is recorded at share values reported by the mutual fund.

**D. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. 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.

**2. Estimated Resources**

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

**HARRISON GERMANO WATER SEWER DISTRICT  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(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. The District did not use the encumbrance method of accounting.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**E. Property, Plant and Equipment**

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

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

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

	2001	2000
Demand deposits	\$1,365	\$5,957
STAR Ohio	18,265	17,210
Total deposits	19,630	23,167

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

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and December 31, 2000 follows:

Budgeted vs. Actual Receipts		
Fund Type	2001	2000
Budgeted Receipts	\$18,500	\$20,500
Actual Receipts	19,600	18,959
Variance	\$1,100	(\$1,541)

Budgeted vs. Actual Budgetary Basis Expenditures		
Fund Type	2001	2000
Appropriation Authority	\$18,950	\$20,400
Budgetary Expenditures	23,137	18,023
Variance	(\$4,187)	\$2,377

Contrary to Section 5705.41 (D), the Water Sewer District does not certify the availability of funds.

**HARRISON GERMANO WATER SEWER DISTRICT  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**4. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
General Obligation Loan	\$28,500	9.06%
Ohio Water Development Authority Loan	36,695	5.00%
Total	\$65,195	

The proceeds of the Ohio Water Development Authority Loan were used to construct the new water well and water delivery system. The proceeds of the general obligation note were used to establish and provide initial funding for the Water District. These debts will be repaid through the establishment of user fees.

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

	General Obligation Note	OWDA Loan
Year ending December 31:		
2002	\$4,425	\$5,270
2003	4,275	5,270
2004	4,125	5,270
2005	3,975	5,270
2006	3,825	5,269
2007-2011	15,300	26,353
2012-2016	0	7,906
Total	\$35,925	\$60,608

**5. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

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

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**Auditor of State  
Betty Montgomery**

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

Harrison Germano Water Sewer District  
Harrison County  
90670 Mill Road  
Jewett, Ohio 43986-9728

To the Board of Trustees:

We have audited the accompanying financial statements of Harrison Germano Water Sewer District (the District) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated 6/5/03. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-31115-001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Harrison Germano Water Sewer District  
Harrison County  
Report on compliance and on Internal Control Required by  
*Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the audit committee, management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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**Betty Montgomery**  
Auditor of State

June 5, 2003

HARRISON GERMANO WATER SEWER DISTRICT  
HARRISON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000

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

FINDING NUMBER 2001-61234-001

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.41(D)**, provides that no subdivision or taxing unit 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. This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates – 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 may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate.
2. If the amount involved is less than one thousand dollars (\$1,000), the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board, if such expenditure is otherwise valid.

Our test of disbursements indicated that 100% of the expenditures tested were committed prior to the certification of available funds by the fiscal officer. Neither exception listed above was followed, contrary to Ohio Rev. Code 5705.41(D). This condition does not provide adequate accountability over the District's disbursements. Obligations may be incurred which either the Board or management has not authorized or which the District cannot afford.

The Board should establish control policies and procedures that are sufficient to ensure that purchases are certified and encumbered by the fiscal officer at the time of purchase.







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**HARRISON GERMANO WATER SEWER 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  
JULY 22, 2003**