



Dave Yost • Auditor of State

**GERMANO WATER AND SEWER DISTRICT
HARRISON COUNTY**

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Dave Yost • Auditor of State

Germano Water and Sewer District
Harrison County
100 W Market Street
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.

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Dave Yost
Auditor of State

April 12, 2013

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Germano Water and Sewer District
Harrison County
100 W Market Street
Cadiz, Ohio 43907

To the Board of Trustees:

We have audited the accompanying financial statements of the Germano Water and Sewer District, Harrison County, (the District) as of and for the year ended December 31, 2010. 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 District 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 year ended December 31, 2010 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, 2010, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances as of December 31, 2010 of the Germano Water and Sewer District, Harrison County, and its cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

As described in Note 6, effective January 1, 2011, the Water and Sewer District operations were turned over to the Harrison County Engineers office.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2013, 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 "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

April 12, 2013

**GERMANO WATER AND SEWER DISTRICT
HARRISON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Operating Cash Receipts:	
Charges for Services	\$20,295
Miscellaneous	1
	1
Total Operating Cash Receipts	20,296
Operating Cash Disbursements:	
Personal Services	846
Utilities	3,845
Repairs and Maintenance	2,432
Testing and Licenses	887
Other Contractual Services	2,042
Chemicals and Operating Supplies	976
Office Supplies and Materials	1,014
Insurance	2,245
Capital Outlay	1,672
	1,672
Total Operating Cash Disbursements	15,959
Operating Income/(Loss)	4,337
Non-Operating Cash Disbursements:	
Debt Service	9,692
Other Non-Operating Cash Disbursements	200
	200
Total Non-Operating Cash Disbursements	9,892
Net Receipts Over/(Under) Disbursements	(5,555)
Cash Balances, January 1	7,895
Cash Balances, December 31	\$2,340

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

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**GERMANO WATER AND SEWER DISTRICT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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 Germano Water and Sewer District, Harrison County, (the District) as a body corporate and politic. The District is directed by a four-member Board of Trustees. Board members are appointed by the German Township Trustees. The District provides water and sewer services to residents of the District.

The District participates in the Ohio District Risk Management Plan public entity risk pool. Note 5 to the financial statement provides additional information for this entity. This organization is:

Ohio District Risk Management Plan (the "Plan"), a non-assessable, unincorporated nonprofit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio Districts ("Members").

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. 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 fund 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.

**GERMANO WATER AND SEWER DISTRICT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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 2010 budgetary activity appears in Note 3.

D. 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 Deposits

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

	2010
Demand deposits	\$2,340

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

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2010 follows:

2010 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$20,000	\$20,296	\$296

2010 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$21,000	\$25,851	(\$4,851)

Contrary to Ohio law, budgetary expenditures exceeded appropriation by \$4,851 for the year ended December 31, 2010.

**GERMANO WATER AND SEWER DISTRICT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2010
(Continued)**

4. Debt

Debt outstanding at December 31, 2010 was as follows:

The OWDA Loan #1584 was issued to construct wells and waterline extensions. The loan was issued in 1988 at 9.06% for 25 years with the first payment due date of July 1, 1988 and last payment due date of January 1, 2013. Water customer receipts will be used to repay this loan.

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

Year ending December 31:	<u>OWDA</u>
2011	\$5,119
2012	5,125
2013	<u>2,585</u>
Total	<u><u>\$12,829</u></u>

5. Risk Management

Prior to 2009, the District belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The District participates in this coverage.

**GERMANO WATER AND SEWER DISTRICT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

5. Risk Management (Continued)

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The District does not participate participates in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009, and include amounts for both OPRM and OPHC:

	2010	
	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131
Liabilities	(4,845,056)	(1,055,096)
Members’ Equity	\$7,191,485	\$300,035

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, www.ohioplan.org.

6. Subsequent Events

Effective January 1, 2011, the water and sewer district operations were turned over to the Harrison County Engineer’s Office and the Board of Trustees was dissolved. The following table outlines the final activity that passed through the District’s bank account from January 1, 2011 to April 19, 2011 and the amount remitted to the Harrison County Engineer’s Office.

**GERMANO WATER AND SEWER DISTRICT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

6. Subsequent Events (Continued)

January 1, 2011 Balance	\$2,339.91
Charges for Services Revenue	1,141.47
Refunds of Expenditures Revenue	690.65
Total Revenue	1,832.12
Refunds of Deposits	600.00
OWDA Payment	2,497.90
Miscellaneous Expenses	230.69
Total Expenditures	3,328.59
Ending Balance turn over to Harrison County	\$843.44

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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

Germano Water and Sewer District
Harrison County
100 W Market Street
Cadiz, Ohio 43907

To the Board of Trustees:

We have audited the financial statements of Germano Water and Sewer District (the District) as of and for the year ended December 31, 2010, and have issued our report thereon dated April 12, 2013 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 also noted the District ceased operations. 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 2010-01 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated April 12, 2013.

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

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Dave Yost
Auditor of State

April 12, 2013

**GERMANO WATER & SEWER DISTRICT
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010**

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

FINDING NUMBER 2010-01

Material Weakness

The Fiscal Officer improperly recorded transfers between banks as revenue and did not post some disbursement transactions to the ledgers. Additionally the Fiscal Officer did not prepare complete and accurate monthly bank reconciliations as STAR Ohio activity balances were not included. Therefore, the ledgers and the monthly bank to book reconciliations did not present a complete and accurate record of the District's finances. The Fiscal Officer and management have agreed to and posted the adjustments to the District's accounting records. The corrected amounts are reflected in the accompanying financial statements.

Fund	Account Type	Amount	Description
General	Charges for Services Revenue	(\$783)	Amount was a bank transfer and should not have been recorded.
General	Debt Service Disbursements	\$4,735	Amount was not recorded.

The 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 report on financial statements. The Fiscal Officer should prepare complete and accurate monthly reconciliations that include all District accounts, an accurate outstanding check list, and adequate support for all reconciling items. A review process should be implemented whereby the Board would review ledgers, monthly financial statements and monthly reconciliations.

Official's Response:

We did not receive a response from officials to this finding.

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**GERMANO COUNTY WATER AND SEWER DISTRICT
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Revised Code Section 5705.41(B) – Expenditures exceeded Appropriations	Partially	Issued in the management letter
2009-002	Ohio Revised Code Section 5705.41(D) – Expenditures were not properly certified.	Yes	Corrected

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GERMANO WATER AND 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
JUNE 11, 2013**