



**Auditor of State  
Betty Montgomery**

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**GEORGETOWN WATER DISTRICT  
HARRISON COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Georgetown Water District  
Harrison County  
77075 Zitko Rd.  
Cadiz, Ohio 43907

To the Board of Trustees:

We have audited the accompanying financial statements of the Georgetown Water District, Harrison County, Ohio, (the District) as of and for the years ended December 31, 2003 and 2002. 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, the cash balances of the Georgetown Water District, Harrison County, Ohio, as of December 31, 2003 and 2002, 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 February 1, 2005 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.

This report is intended solely for the information and use of 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".

**Betty Montgomery**  
Auditor of State

February 1, 2005

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503  
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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**GEORGETOWN WATER DISTRICT  
HARRISON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<b>2003</b>	<b>2002</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$32,800	\$28,375
Total Operating Cash Receipts	32,800	28,375
<b>Operating Cash Disbursements:</b>		
Personal Services	5,897	5,532
Testing and Licenses	120	130
Other Contractual Services	13,738	14,955
Supplies and Materials	1,834	3,338
Insurance	651	363
Total Operating Cash Disbursements	22,240	24,318
Operating Income/(Loss)	10,560	4,057
<b>Non-Operating Cash Receipts:</b>		
Interest	145	384
Total Non-Operating Cash Receipts	145	384
<b>Non-Operating Cash Disbursements:</b>		
Debt Service:		
Redemption of Principal	10,200	
Interest and Fiscal Charges	6,600	
Total Non-Operating Cash Disbursements	16,800	
Net Receipts Over/(Under) Disbursements	(6,095)	4,441
Cash Balances, January 1	20,953	16,512
<b>Cash Balances, December 31</b>	<b>\$14,858</b>	<b>\$20,953</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, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Georgetown Water 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 an appointed five-member Board of Trustees. The Board members are appointed by the Harrison County Common Pleas Judge. 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**

The District invests in Certificates of Deposit which are valued at cost.

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

**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 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, 2003 AND 2002  
(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 canceled, and reappropriated in the subsequent year.

A summary of 2003 and 2002 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 certificates of deposit. The carrying amount of cash and investments at December 31 was as follows:

	2003	2002
Demand deposits	\$4,086	\$10,285
Certificates of deposit	10,772	10,668
Total deposits	\$14,858	\$20,953

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

Budgeted vs. Actual Receipts		
Fund Type	2003	2002
Budgeted Receipts	\$30,200	\$36,000
Actual Receipts	32,945	28,759
Variance	\$2,745	(\$7,241)

Budgeted vs. Actual Budgetary Basis Expenditures		
Fund Type	2003	2002
Appropriation Authority	\$0	\$0
Budgetary Expenditures	39,040	24,318
Variance	(\$39,040)	(\$24,318)

**GEORGETOWN WATER DISTRICT  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio Revised Code § 5705.38, the District did not pass an appropriation measure for 2002 or 2003. As a result, the district was in violation of the Ohio Revised Code § 5705.41 (B) for expenditures exceeding appropriations. Additionally, the District was in violation of Ohio Revised Code § 5705.41(D) for purchase orders not certified prior to invoice date.

**4. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Water Revenue Bonds	\$57,800	5.00%
Total	\$57,800	

The water revenue bonds were issued for 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
2004	\$6,890
2005	7,690
2006	7,440
2007	7,190
2008	6,940
2009-2013	39,450
Total	\$75,600

**5. RETIREMENT SYSTEMS**

The District's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries. The District has paid all contributions required through December 31, 2003.

**GEORGETOWN WATER DISTRICT  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(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.



## Auditor of State Betty Montgomery

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

Georgetown Water District  
Harrison County  
77075 Zitko Rd.  
Cadiz, OH 43907

To the Board of Trustees:

We have audited the accompanying financial statements of Georgetown Water District, Harrison County, Ohio, (the District) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated February 1, 2005. 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 certain instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated February 1, 2005.

#### 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. However, we noted matters involving the internal control over financial reporting that did not require inclusion in this report that we have reported to management of the District in a separate letter dated February 1, 2005.

Georgetown Water District  
Harrison County  
Independent Accountants' 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 management and the Board of Trustees, 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

February 1, 2005

**GEORGETOWN WATER DISTRICT  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2003-001**

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

As the District did not pass an appropriation measure for either 2002 or 2003 and as expenditures are limited by the appropriations established for each fund, all expenditures made by the District in 2002 and 2003 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. Appropriations should be limited to estimated resources.

**FINDING NUMBER 2003-002**

**Ohio Revised Code § 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 \$1,000 (\$3,000 effective April 7, 2003) the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board such expenditure is otherwise valid.

**GEORGETOWN WATER DISTRICT  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

- 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 extent beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

As the District did not pass an appropriation measure for 2002 or 2003, the District could not properly certify or record the amount against the applicable appropriation accounts for 100% of tested expenditures in 2002 and 2003. The District did not utilize the certification exceptions described above for those expenditures lacking prior certification.

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

**GEORGETOWN WATER DISTRICT  
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEARS ENDING DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-001	ORC § 5705.36	No	The District prepared an operating budget that included estimated revenue; reported in the management letter.
2001-002	ORC § 5705.38	No	Re-issued as 2003-001.
2001-003	ORC § 5705.41(B)	No	Re-issued as 2003-002.





**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

**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  
MARCH 31, 2005**