



Mary Taylor, CPA  
Auditor of State



**GERMANO WATER AND SEWER DISTRICT  
HARRISON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances - For the Years Ended December 31, 2005 and 2004 .....	5
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings .....	15

**THIS PAGE INTENTIONALLY LEFT BLANK.**



# Mary Taylor, CPA

Auditor of State

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

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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 21, 2008

**THIS PAGE INTENTIONALLY LEFT BLANK.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Germano Water and Sewer District, Harrison County, (the District) as of and for the years ended December 31, 2005 and 2004. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. 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, 2005 and 2004 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, 2005 and 2004, or its changes in financial position or its cash flows 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 Germano Water and Sewer District, Harrison County, as of December 31, 2005 and 2004, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Auditor of State has billed the District for audit services provided for fiscal years 1996 through 2003. As of the date of this report, the District has been billed a total of \$8,783.91 and has yet to pay \$8,783.91.

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 February 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

February 21, 2008



**GERMANO WATER AND SEWER DISTRICT  
HARRISON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<b>2005</b>	<b>2004</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$20,865	\$19,055
Miscellaneous	100	200
	20,965	19,255
<b>Total Operating Cash Receipts</b>	<b>20,965</b>	<b>19,255</b>
<b>Operating Cash Disbursements:</b>		
Utilities	3,082	3,266
Repairs and Maintenance		5,763
Testing and Licenses	1,074	1,012
Other Contractual Services	948	1,375
Chemicals and Operating Supplies	3,235	2,883
Office Supplies and Materials	856	901
Insurance	2,500	
Capital Outlay	6,950	3,138
	18,645	18,338
<b>Total Operating Cash Disbursements</b>	<b>18,645</b>	<b>18,338</b>
Operating Income/(Loss)	2,320	917
<b>Non-Operating Cash Receipts:</b>		
Earnings on Investments	234	132
Intergovernmental Revenues	6,788	
Miscellaneous		3,275
	7,022	3,407
<b>Total Non-Operating Cash Receipts</b>	<b>7,022</b>	<b>3,407</b>
<b>Non-Operating Cash Disbursements:</b>		
Debt Payments	8,641	6,458
Other Non-Operating Cash Disbursements	39	100
	8,680	6,558
<b>Total Non-Operating Cash Disbursements</b>	<b>8,680</b>	<b>6,558</b>
Net Receipts Over/(Under) Disbursements	662	(2,234)
Cash Balances, January 1	13,010	15,244
<b>Cash Balances, December 31</b>	<b>\$13,672</b>	<b>\$13,010</b>

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

**THIS PAGE INTENTIONALLY LEFT BLANK.**

**GERMANO WATER AND SEWER DISTRICT  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**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 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. This basis 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 accounting basis includes investments as assets. This basis does not report purchases of investments as disbursements or investment sales as receipts. This basis recognizes gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

**D. Budgetary Process**

The Ohio Revised Code requires the District 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, 2005 AND 2004  
(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 2005 and 2004 budgetary activity appears in Note 3.

**E. Property, Plant and Equipment**

The accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid. The accompanying financial statements do not include these assets.

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

The carrying amount of cash and investments at December 31 follows:

	2005	2004
Demand deposits	\$7,558	\$3,113
STAR Ohio	6,114	9,897
Total deposits and investments	\$13,672	\$13,010

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

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

Budgeted vs. Actual Receipts		
Fund Type	2005	2004
Budgeted Receipts	\$20,000	\$19,500
Actual Receipts	27,987	22,662
Variance	\$7,987	\$3,162

Budgeted vs. Actual Budgetary Basis Expenditures		
Fund Type	2005	2004
Appropriation Authority	\$20,500	\$20,800
Budgetary Expenditures	27,325	24,896
Variance	(\$6,825)	(\$4,096)

**GERMANO WATER AND SEWER DISTRICT  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio law, budgetary expenditures exceeded the District's appropriation authority by \$6,825 for the year ended December 31, 2005 and by \$4,096 for the year ended December 31, 2004. As a result, the District was in violation of Ohio Revised Code Section 5705.41(B) for expenditures exceeding appropriations. Also, the District failed to certify the availability of funds, contrary to Ohio Revised Code Section 5705.41(D).

**4. DEBT**

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority (OWDA) Loan # 1584	\$27,811	9.06%
GMAC Commerical Mortgage Corporation Loan # 01-491501	16,500	5%
Total	\$44,311	

The OWDA Loan # 1584 was issued to construct wells and water line extensions. The GMAC Loan was used to purchase equipment. The loans will be repaid through user fees.

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

Year Ending December 31	OWDA		General Obligation Notes
2006	\$5,270		\$3,825
2007	5,270		3,675
2008	5,270		3,525
2009	5,270		3,375
2010	5,270		3,225
2011-2013	13,177		1,500
Total	\$39,527		\$19,125

**5. RISK MANAGEMENT**

**Risk Pool Membership**

The Germano Water and Sewer District belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

**GERMANO WATER AND SEWER DISTRICT  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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 obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform to generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<b>2005</b>	<b>2004</b>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).



# 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*

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

To the Board of Trustees:

We have audited the financial statements of Germano Water and Sewer District, Harrison County, (the District) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated February 21, 2008, wherein, we noted the District has not paid for audit services provided for the period January 1, 1996 through December 31, 2003. We also 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated February 21, 2008, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **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 Standard* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the District's management dated February 21, 2008, we reported other matters related to noncompliance we deemed immaterial.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293  
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949

[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Germano Water and Sewer 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

We intend this report solely for the information and use of management, and the Board of Trustees. It is not intended for anyone 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

February 21, 2008



**GERMANO WATER AND SEWER DISTRICT  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2005-001**

**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 extent 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 2005 and 2004. 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 in negative cash balances. Unless the exceptions noted above are used, 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 Fiscal Officer 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 authorizing 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 Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

#### **FINDING NUMBER 2005-002**

##### **Noncompliance Citation**

**Ohio Revised Code Section 5705.41(B)** prohibits a subdivision from making expenditures unless it has been properly appropriated.

The Water Operating Fund had disbursements which exceeded appropriations by \$4,096 or 20% during 2004 and by \$6,825 or 33% during 2005.

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.

##### **Officials' Response**

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

**GERMANO WATER AND SEWER DISTRICT  
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

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>
2003-001	ORC Section 5705.28 (B) (2) (a) The District should estimate receipts and adopt an operating budget for each year.	No	Cited in the management letter.
2003-002	ORC Section 5705.36 The District failed to prepare a certificate of estimated resources showing the total amount from all sources available for expenditures and the balances existing at the end of the year.	No	Cited in the management letter.
2003-003	ORC Section 5705.38 The District failed to pass any appropriations; all expenditures were not appropriated and were not in compliance with ORC 5705.38 and 5704.41(B).	No	ORC Section 5705.41(B) cited again as finding number 2005-002.
2003-004	ORC Section 5705.41(D) The District did not certify or record the amount against the applicable appropriation accounts for 100% of tested expenditures.	No	Cited again as finding number 2005-001.





**Mary Taylor, CPA**  
Auditor of State

**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 17, 2008**