

**German Township  
Clark County, Ohio  
Financial Statements  
December 31, 2007 and 2006**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
German Township  
3940 Lawrenceville Drive  
Springfield, Ohio 45504

We have reviewed the *Independent Auditors' Report* of German Township, Clark County, prepared by Taylor, Applegate, Hughes and Associates, Ltd., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. German Township is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 17, 2008

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**German Township  
Clark County, Ohio**

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## INDEPENDENT AUDITORS' REPORT

German Township  
Clark County  
3940 Lawrenceville Drive  
Springfield, Ohio 45504

To the Board of Trustees:

We have audited the accompanying financial statements of German Township, Clark County, Ohio, (the Township), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township'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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township 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 Government's larger (i.e. major) funds separately. While the Government 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 Governments to reformat their statements. The Township 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 effect of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, 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 combined fund cash balances and reserves for encumbrances of German Township, Clark County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Government 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 a report dated June 28, 2008, on our consideration of the Township'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. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of than audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

*Taylor, Applegate, Hughes & Assoc., Ltd.*

Taylor, Applegate, Hughes and Associates, Ltd.  
June 28, 2008



**GERMAN TOWNSHIP  
CLARK COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Permanent</b>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 49,436	\$ 922,401	\$ 97,284	\$ -	\$ 1,069,121
Intergovernmental	202,037	159,481	-	-	361,518
Charges for Services	-	2,250	28,300	-	30,550
Licenses, Permits, and Fees	49,839	3,980	-	-	53,819
Fines, Forfeitures, and Penalties	-	143,953	-	-	143,953
Earnings On Investments	63,821	3,948	-	133	67,902
Other Revenue	32,106	60,909	-	-	93,015
	<u>397,239</u>	<u>1,296,922</u>	<u>125,584</u>	<u>133</u>	<u>1,819,878</u>
Total Cash Receipts					
<b>Cash Disbursements:</b>					
<b>Current:</b>					
General Government	137,131	-	-	-	137,131
Public safety	186	706,403	-	-	706,589
Public works	-	336,542	-	-	336,542
Health	13,118	1,738	-	-	14,856
<b>Debt Services:</b>					
Redemption of Principle	21,428	7,000	-	-	28,428
Interest and Fiscal Charges	876	269	-	-	1,145
<b>Capital Outlay</b>	<u>-</u>	<u>3,063</u>	<u>175,000</u>	<u>-</u>	<u>178,063</u>
Total Cash Disbursements	<u>172,739</u>	<u>1,055,015</u>	<u>175,000</u>	<u>-</u>	<u>1,402,754</u>
Total Receipts Over/(Under) Disbursements	<u>224,500</u>	<u>241,907</u>	<u>(49,416)</u>	<u>133</u>	<u>417,124</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Other Proceeds from Sale of Public Debt	-	-	-	-	-
Sale of Fixed Assets	-	-	-	-	-
Transfers-In	-	-	-	-	-
Other Financing Uses	(487)	-	-	-	(487)
Transfers-Out	-	-	-	-	-
Total Other Financing Receipts/(Disbursements)	<u>(487)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(487)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>224,013</u>	<u>241,907</u>	<u>(49,416)</u>	<u>133</u>	<u>416,637</u>
Fund cash balances, January 1, 2007	\$ 280,166	\$ 713,756	\$ 204,048	\$ 2,576	\$ 1,200,546
Fund cash balances, December 31, 2007	<u>\$ 504,179</u>	<u>\$ 955,663</u>	<u>\$ 154,632</u>	<u>\$ 2,709</u>	<u>\$ 1,617,183</u>
Reserve for encumbrances, December 31, 2007	<u>\$ 42</u>	<u>\$ 31,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,840</u>

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

**GERMAN TOWNSHIP  
CLARK COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Permanent</b>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 51,538	\$ 935,696	\$ -	\$ -	\$ 987,234
Intergovernmental	119,228	218,155	-	-	337,383
Charges for Services	-	268	29,300	-	29,568
Licenses, Permits, and Fees	8,500	3,350	-	-	11,850
Fines, Forfeitures, and Penalties	-	77,961	-	-	77,961
Earnings On Investments	38,175	3,911	-	132	42,218
Other Revenue	3,413	54,926	24,069	-	82,408
Total Cash Receipts	<u>220,854</u>	<u>1,294,267</u>	<u>53,369</u>	<u>132</u>	<u>1,568,622</u>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
General Government	139,231	278	-	-	139,509
Public safety	290	703,503	-	-	703,793
Public works	-	399,479	-	-	399,479
Health	13,555	10,143	-	-	23,698
<b>Debt Services:</b>	-	-	-	-	-
Redemption of Principle	20,851	91,837	-	-	112,688
Interest and Fiscal Charges	1,453	2,853	-	-	4,306
<b>Capital Outlay</b>	1,291	47,897	-	-	49,188
Total Cash Disbursements	<u>176,671</u>	<u>1,255,990</u>	<u>-</u>	<u>-</u>	<u>1,432,661</u>
Total Receipts Over/(Under) Disbursements	<u>44,183</u>	<u>38,277</u>	<u>53,369</u>	<u>132</u>	<u>135,961</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Other Proceeds from Sale of Public Debt	-	-	-	-	-
Sale of Fixed Assets	-	2,120	-	-	2,120
Other Financing Sources	18,455	45,130	-	-	63,585
Other Financing Uses	(38)	(4,000)	-	-	(4,038)
Transfers-In	336	-	-	-	336
Advances In	78,000	78,000	-	-	156,000
Advances Out	(78,000)	(78,000)	-	-	(156,000)
Transfers-Out	-	-	-	(336)	(336)
Total Other Financing Receipts/(Disbursements)	<u>18,753</u>	<u>43,250</u>	<u>-</u>	<u>(336)</u>	<u>61,667</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>62,936</u>	<u>81,527</u>	<u>53,369</u>	<u>(204)</u>	<u>197,628</u>
Fund cash balances, January 1, 2006	<u>\$ 217,230</u>	<u>\$ 632,229</u>	<u>\$ 150,679</u>	<u>\$ 2,780</u>	<u>\$ 1,002,918</u>
Fund cash balances, December 31, 2006	<u>\$ 280,166</u>	<u>\$ 713,756</u>	<u>\$ 204,048</u>	<u>\$ 2,576</u>	<u>\$ 1,200,546</u>
Reserve for encumbrances, December 31, 2006	<u>\$ 42</u>	<u>\$ 22,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,271</u>

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

**GERMAN TOWNSHIP  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

German Township, Clark County, (the Township), 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 Township is directed by publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, police protection and emergency medical services.

The Township's management believes these financial statements present all activities for which the Township 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved)

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

**C. Cash 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 and losses at the time of sale are recorded as receipts or disbursements, respectively.

The Township values certificates of deposit at cost, and common stock at fair value. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Funds**

The general fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**GERMAN TOWNSHIP  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Fund Accounting (continued)**

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**Road and Bridge Fund-** This fund receives property tax money for constructing, maintaining and repairing Township roads.

**Gasoline Tax Fund-** This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

**Motor Vehicle License Tax and Permissive Motor Vehicle License Fund-** these funds receive distribution of motor vehicle license tax from the county auditor to maintain and repair roads and road equipment.

**Fire District Funds-** This fund receives property tax money for expenses related to the Township fire department.

**Police Fund-** This fund receives property tax money for expenses related to the Township Police Department.

**3. Capital Project Funds**

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

**Capital Fire District Fund-** This fund receives money from Fire District Fund and has been established for the purpose of acquiring funds for purchase of large expenditures.

**4. Fiduciary Funds (Trust and Agency Funds)**

This fund is used to account for resources restricted by legally binding trust agreements and funds for which the township is acting in an agency capacity. The Township had the following significant Fiduciary Funds:

**Cemetery Bequest Funds-** This nonexpendable trust fund receives interest earned on donated amounts. Investment earnings are used for grave upkeep as specified by the donor.

**GERMAN TOWNSHIP  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriation may not exceed estimated resources. The board of Trustees must annually approve appropriation measures and the subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as liability under the Township's basis of accounting.

**GERMAN TOWNSHIP  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

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

The Township maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2007</u>	<u>2006</u>
Demand deposits	\$ 82,889	\$ 258,808
Certificates of deposit	<u>31,024</u>	<u>134,167</u>
Total deposits	<u>113,913</u>	<u>\$ 392,975</u>
STAR Ohio	\$ 177,940	\$ 189,194
Money Market	<u>1,325,330</u>	<u>618,377</u>
Total investments	<u>\$ 1,503,270</u>	<u>\$ 807,571</u>
Total deposits and investments	<u>\$ 1,617,183</u>	<u>\$ 1,200,546</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

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

**GERMAN TOWNSHIP  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 396,076	\$ 397,239	\$ 1,163
Special Revenue	1,401,750	1,296,922	( 104,828)
Capital Projects	28,300	125,584	97,284
Permanent	<u>150</u>	<u>133</u>	<u>( 17)</u>
Total	<u>\$ 1,826,276</u>	<u>\$ 1,819,878</u>	<u>(\$ 6,398)</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 514,837	\$ 172,781	\$ 342,056
Special Revenue	1,929,907	1,086,813	843,094
Capital Projects	232,348	175,000	57,348
Permanent	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 2,677,092</u>	<u>\$ 1,434,594</u>	<u>\$1,242,498</u>

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 235,980	\$ 220,854	\$ 15,126
Special Revenue	1,341,072	1,294,267	46,805
Capital Projects	53,826	53,369	457
Permanent	<u>0</u>	<u>132</u>	<u>( 132)</u>
Total	<u>\$ 1,630,878</u>	<u>\$ 1,568,622</u>	<u>\$ 62,256</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 315,161	\$ 177,049	\$ 138,112
Special Revenue	1,758,818	1,278,219	480,599
Capital Projects	0	0	0
Permanent	<u>2,785</u>	<u>336</u>	<u>2,449</u>
Total	<u>\$ 2,076,764</u>	<u>\$ 1,455,604</u>	<u>\$ 621,160</u>

The appropriations exceeded the total estimated revenue by \$5,476 for the Road District Fund in 2006.

The appropriations exceeded the total estimated revenue by \$20 for the Cemetery Fund in 2007.

**GERMAN TOWNSHIP  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for application homestead and rollback deductions. Homestead and rollback amounts are then paid by the state, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payment, the first half is due to the County December 31. If the property owner elects to make semiannual payment, the first is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing the property, and for billing, collecting and distributing all property taxes on behalf of the Township.

**5. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$ 9,833	2.76%
Cruiser Note	<u>0</u>	3.93%
Total	<u>\$ 9,833</u>	

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$ 31,307	2.76%
Rescue Truck Lease-Purchase	0	2.75%
Cruiser Note	<u>7,000</u>	3.93%
Total	<u>\$ 38,307</u>	

The general obligation bonds were issued to pay legal fees based on a court ordered judgment. The bonds are collateralized solely by the Township's taxing authority. The rescue truck note was issued for the purchase of a rescue truck. The cruiser note was issued for the purchase of a new police cruiser. The notes are uncollateralized.



**GERMAN TOWNSHIP  
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NOTES TO THE FINANCIAL STATEMENTS  
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**5. DEBT (continued)**

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

	<b>General Obligation Bonds</b>	<b>Cruiser Note</b>
Year ending December 31:		
2007	\$ 22,304	\$ 7,000
2008	<u>10,300</u>	<u>0</u>
<b>Total</b>	<u><u>\$ 32,604</u></u>	<u><u>\$ 7,000</u></u>

Additionally, the Township entered into an agreement with the Village of North Hampton on November 9, 2005, for water services for \$410,500. The first semi-annual payment of \$12,700 will be due July, 2008.

**6. RETIREMENT SYSTEMS**

The Township's employees belong to the Ohio Public Employee Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare, survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006 OPERS members contributed 9.5 and 9.0 percent, respectively, of their gross salaries. The Township contributed an amount equaling 13.85 and 13.7 percent respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Township had obtained commercial insurance for the following risks:

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

**Risk Pool Membership**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation. The Township provides health coverage for an official through a private carrier.

**GERMAN TOWNSHIP  
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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**7. RISK MANAGEMENT (continued)**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty Coverage**

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$25,000, up to \$1.75 million per claim and \$10 million in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$250,000 per occurrence, including loss adjustment expense. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2.65 million for each claim and \$10 million in the aggregate per year. Townships can elect additional coverage up to \$10 million with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5 million per year, subject to a per-claim limit of \$2 million (for claims prior to January 1, 2006) or \$3million (for claims on or after January 1, 2006) as noted above.

**Property Coverage**

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**GERMAN TOWNSHIP  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. RISK MANAGEMENT (continued)**

**Financial Position**

OTARMA's financial statements (audited by other accountants) are in conformity with Generally Accepted Accounting Principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005 (the latest information available).

<b>Casualty Coverage</b>	<b>2006</b>	<b>2005</b>
Assets	\$ 32,031,312	\$ 30,485,638
Liabilities	( 11,443,952)	( 12,344,576)
Retained earnings	<u>\$ 20,587,360</u>	<u>\$ 18,141,062</u>
<b>Property Coverage</b>	<b>2006</b>	<b>2005</b>
Assets	\$ 10,010,963	\$ 9,177,796
Liabilities	( 676,709)	( 1,406,031)
Retained earnings	<u>\$ 9,334,254</u>	<u>\$ 7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member townships in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$28,000 at December 31, 2007 and approximately \$31,000 at December 31, 2006. This payable included the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA the expected rates OTARMA charges to compute member contributions, which are sued to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the past three years are as follows:

	<u>Contributions to OTARMA</u>
2005	\$16,555
2006	\$15,562
2007	\$13,955

**GERMAN TOWNSHIP  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**7. RISK MANAGEMENT (continued)**

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

# TaylorApplegateHughes

AND ASSOCIATES, LTD

CERTIFIED PUBLIC  
ACCOUNTANTS +  
BUSINESS ADVISORS

Keith O. Applegate, CPA

Kathleen M. Hughes, CPA

Richard R. Taylor, CPA  
(1931-1998)

Julie L. Griffin, CPA

Kristi L. Leeth, CPA

Valerie Friley Walker, CPA

Sara M. Bratka, CPA

## Independent Auditors' Report on Internal Control over Financial Reporting and On Compliance and Other Matters Required By *Government Auditing Standards*

German Township  
Clark County  
3940 Lawrenceville Drive  
Springfield, Ohio 45504

To the Board of Trustees:

We have audited the financial statements of German Township, Clark County, (the Township) as of and for the years ended December 31, 2007, and December 31, 2006, and have issued our report thereon dated June 28, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes 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 Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

629 E. High Street  
Springfield, Ohio 45505

phone 937.325.1538  
fax 937.325.8242  
cpa@applegatehughes.com

### **Internal Control Over Financial Reporting (continued)**

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we believe finding 2007-001 is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated June 28, 2008.

### **Compliance**

As part of reasonably assuring whether the Township's financial statements are free of material misstatements, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially effect 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 instances of noncompliance or other matters that we must report under Governmental Auditing Standards, which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated June 28, 2008.

We intend this report solely for the information and use of management, the audit committee and the Board of Trustees. It is not intended for anyone other than these specified parties.

*Taylor, Applegate, Hughes & Assoc., Ltd.*

Taylor, Applegate, Hughes and Associates, Ltd.  
June 28, 2008

**GERMAN TOWNSHIP  
CLARK COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-001**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code § 5705.39** provides that the total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The appropriations exceeded the total estimated revenue by \$5,476 for the Road District Fund in 2006.

The appropriations exceeded the total estimated revenue by \$20 for the Cemetery Fund in 2007.

The Township should monitor appropriations versus estimated resources to ensure appropriations do not exceed total estimated revenue.

**Officials' Response:** We did not receive a response from officials to this finding.

**FINDING NUMBER 2007-002**

**Reportable Condition/Material Weakness**

**Bank Reconciliations**

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the books provide a reasonable assurance that all receipts and expenditures have been correctly posted to the Township's books and have been correctly posted by the bank. Additionally, reconciliations should be used to provide an accurate picture of the Township's financial position at each month end.

Numerous bank reconciliations were not prepared in a timely manner in 2006 and 2007. For 2006, the January reconciliation was posted on March 20; the February reconciliation was posted May 10; the March reconciliation was posted May 31; and the May through November reconciliations were combined with the December reconciliation. For 2007, the March and April reconciliations were posted in November and the May through November reconciliations were posted in December.

Bank account reconciliations are a basic control to provide accuracy and completeness of the Township's recording of receipts and expenditures. Failure to maintain complete accountability of public monies could increase the possibility of funds being altered, impaired, lost, or stolen.

**GERMAN TOWNSHIP  
CLARK COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

**FINDING NUMBER 2007-002 (continued)**

Procedures should be implemented to verify that monthly bank reconciliations are performed in a timely manner and any reconciling items other than deposits in transit and outstanding checks, are recorded within a reasonable period. Failure to make timely adjustments could result in the Township using an incorrect cash balance as a basis for decisions.

**Officials' Response:** We did not receive a response from officials to this finding.



**GERMAN TOWNSHIP  
CLARK COUNTY  
SCHEDULE OF PRIOR AUDIT FINDING  
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Bank reconciliations	No	Partially Corrected; Reissued as Finding 2007-002
2003-002	ORC Sec.5705.41 (D) - Clerk failed to certify the availability of funds.	Yes	Corrected





**Mary Taylor, CPA**  
Auditor of State

**GERMAN TOWNSHIP**

**CLARK 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  
SEPTEMBER 30, 2008**