

GERMAN TOWNSHIP

DAYTON REGION, MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 - 2006



Mary Taylor, CPA

Auditor of State

Board of Trustees
German Township
12102 State Route 725 West
Germantown, Ohio 45327

We have reviewed the *Independent Accountants' Report* of German Township, Montgomery County, prepared by Manning & Associates CPAs, LLC, 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 Accountants' 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 Accountants' 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 24, 2008

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**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

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MANNING & ASSOCIATES CPAS, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

INDEPENDENT ACCOUNTANTS' REPORT

German Township, Montgomery County
12102 State Route 725 West
Germantown, Ohio 45327

To the Board of Trustees:

We have audited the accompanying financial statements of German Township, Montgomery County, (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 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township 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 Townships 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 effects 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, Montgomery 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 Township 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 July 10, 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 grants 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.

Manning & Associates CPAs, LLC
Dayton, Ohio

July 10, 2008

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**GERMAN TOWNSHIP
MONTGOMERY 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

	GOVERNMENTAL FUND TYPES				Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash Receipts:					
Property and Other Local Taxes	\$ 32,912	\$ 1,315,676	0	\$ 0	\$ 1,348,588
Changes for Services	0	186,122	0	0	186,122
Licenses, Permits and Fees	13,989	0	0	0	13,989
Fines and Forfeitures	2,834	200	0	0	3,034
Intergovernmental Receipts	88,178	296,597	148,680	0	533,455
Earnings on Investments	47,266	3,161	0	283	50,710
Miscellaneous	7,524	13,868	0	0	21,392
Total Cash Receipts	192,703	1,815,624	148,680	283	2,157,290
Cash Disbursements:					
Current:					
General Government	147,959	62,800	0	0	210,759
Public Safety	0	851,175	0	0	851,175
Public Works	1,091	446,455	0	0	447,546
Health	0	63,974	0	0	63,974
Conservation/Recreation	0	198,065	0	0	198,065
Other	0	11,637	0	0	11,637
Capital Outlay	2,206	231,918	148,680	0	382,804
Debt Service:					
Redemption of Principal	12,097	0	0	0	12,097
Interest and Other Fiscal Charges	1,316	0	0	0	1,316
Total Cash Disbursements	164,669	1,866,024	148,680	0	2,179,373
Total Receipts Over/(Under) Disbursements	28,034	(50,400)	0	283	(22,083)
Other Financing Receipts/Disbursements					
Sale of Fixed Assets	0	4,000	0	0	4,000
Transfers In	0	32,422	0	0	32,422
Transfers Out	(32,422)	0	0	0	(32,422)
Advances In	10,000	10,000	0	0	20,000
Advances Out	(10,000)	(10,000)	0	0	(20,000)
Total Other Financing Receipts/(Disbursements)	(32,422)	36,422	0	0	4,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,388)	(13,978)	0	283	(18,083)
Fund Cash Balances, January 1, 2007	165,164	1,191,875	0	5,445	1,362,484
Fund Cash Balances, December 31, 2007	\$ 160,776	\$ 1,177,897	\$ 0	\$ 5,728	\$ 1,344,401
Reserve for Encumbrances, December 31	0	6	0	0	6

The Notes to the Financial Statements are an integral part of this statement.

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007

	Private Purpose <u>Trust</u>
Operating Cash Receipts:	
Earnings on Investments	\$ 2,101
Operating Cash Disbursements:	
Other Disbursements	<u>626</u>
Operating Income	1,475
Fund Cash Balance, January 1, 2007	<u>39,289</u>
Fund Cash Balance, December 31, 2007	<u><u>\$ 40,764</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**GERMAN TOWNSHIP
MONTGOMERY 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

	GOVERNMENTAL FUND TYPES				Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash Receipts:					
Property and Other Local Taxes	\$ 28,627	\$ 1,306,157	\$ 0	\$ 0	\$ 1,334,784
Changes for Services	0	174,709	0	0	174,709
Licenses, Permits and Fees	16,959	0	0	0	16,959
Fines and Forfeitures	4,384	30	0	0	4,414
Intergovernmental Receipts	152,370	269,923	134,667	0	556,960
Earnings on Investments	39,797	2,516	0	290	42,603
Miscellaneous	2,486	41,338	0	0	43,824
Total Cash Receipts	244,623	1,794,673	134,667	290	2,174,253
Cash Disbursements:					
Current:					
General Government	128,837	103,583	0	0	232,420
Public Safety	0	800,750	0	0	800,750
Public Works	1,080	467,070	0	0	468,150
Health	0	62,803	0	0	62,803
Conservation/Recreation	0	55,413	0	0	55,413
Other	0	0	0	2,200	2,200
Capital Outlay	1,184	128,182	134,667	0	264,033
Debt Service:					
Redemption of Principal	11,670	0	0	0	11,670
Interest and Other Fiscal Charges	1,743	0	0	0	1,743
Total Cash Disbursements	144,514	1,617,801	134,667	2,200	1,899,182
Total Receipts Over/(Under) Disbursements	100,109	176,872	0	(1,910)	275,071
Other Financing Receipts/Disbursements					
Sale of Fixed Assets	0	17,000	0	0	17,000
Transfers In	0	28,502	0	0	28,502
Transfers Out	(28,502)	0	0	0	(28,502)
Advances In	31,000	31,000	0	0	62,000
Advances Out	(31,000)	(31,000)	0	0	(62,000)
Total Other Financing Receipts/(Disbursements)	(28,502)	45,502	0	0	17,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	71,607	222,374	0	(1,910)	292,071
Fund Cash Balances, January 1, 2006	93,557	969,501	0	7,355	1,070,413
Fund Cash Balances, December 31, 2006	\$ 165,164	\$ 1,191,875	\$ 0	\$ 5,445	\$ 1,362,484
Reserve for Encumbrances, December 31	41	10,625	0	0	10,666

The Notes to the Financial Statements are an integral part of this statement.

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006

	Private Purpose <u>Trust</u>
Operating Cash Receipts:	
Earnings on Investments	\$ 1,949
Operating Cash Disbursements:	
Other Disbursements	<u>557</u>
Operating Income	1,392
Fund Cash Balance, January 1, 2006	<u>37,897</u>
Fund Cash Balance, December 31, 2006	<u><u>\$ 39,289</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

German Township of Montgomery 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 a publicly elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, park operations and police services. The Township has a contract with the Village of Germantown to provide fire and ambulance 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 a payment is made 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

Demand deposits are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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:

General Fund:

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

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:

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds: (Continued)

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

Gasoline Tax Fund – This fund receives gasoline money for constructing, maintaining and repairing Township roads.

Motor Vehicle License Tax Fund – This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining and repairing Township roads.

Waste Disposal District – This fund receives revenues from charges for services from the citizens for their garbage pickup.

Police District – This fund receives tax monies to provide police protection for the Township residents.

Fire Levy – This fund receives tax monies to provide fire and ambulance services to Township residents. Services are provided through a contract with the Village of Germantown.

Capital Project Funds:

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Project Funds:

Issue II Fund – The Township received grants from the State of Ohio for road work.

Permanent Funds:

Trust funds are used to account for resources restricted by legally binding Trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a permanent trust fund. The Township had the following significant permanent fund:

Sunbury Cemetery Bequest – This fund is used to account for resources restricted by legally binding trust agreements. This trust fund is maintained in perpetuity, and investment earnings are used for the upkeep of the cemetery.

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Fiduciary Funds:

These funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Township's fiduciary fund is a Private Purpose trust fund.

E. Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are cancelled, and reappropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 4.

F. Property, Plant and Equipment

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

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

2. RESTATEMENT OF FUND BALANCES

The Township reclassified its expendable (fiduciary) and nonexpendable trusts funds, to special revenue funds, permanent funds, or private purpose funds. These fund reclassifications had the following effect on the Township's fund balances as previously reported as of December 31, 2005:

	Expendable Trust	Non- Expendable Trust	Special Revenue	Permanent	Private Purpose Trust
Fund Balances:					
December 31, 2005	\$1,130	\$45,252	\$968,371	\$0	\$0
Reclassification	(1,130)	(45,252)	1,130	7,355	37,897
Restated Fund Balances	<u>\$0</u>	<u>\$0</u>	<u>\$969,501</u>	<u>\$7,355</u>	<u>\$37,897</u>

3. 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	\$ 181,281	\$ 328,750
Investments:		
Star Ohio	<u>1,203,884</u>	<u>1,073,023</u>
Total Deposits and Investments	<u>\$1,385,165</u>	<u>\$1,401,773</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

Investments: The investments in STAR Ohio are not evidenced by securities that exist in physical or book entry form.

**GERMAN TOWNSHIP
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

4. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2007 was as follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 204,820	\$ 192,703	\$ (12,117)
Special Revenue	1,823,388	1,852,046	28,658
Capital Projects	165,333	148,680	(16,653)
Permanent	100	283	183
Private Purpose	1,200	2,101	901
Total	<u>\$ 2,194,841</u>	<u>\$ 2,195,813</u>	<u>\$ 972</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 281,494	\$ 197,091	\$ 84,403
Special Revenue	2,939,414	1,866,030	1,073,384
Capital Projects	165,333	148,680	16,653
Permanent	600	0	600
Private Purpose	1,500	626	874
Total	<u>\$ 3,388,341</u>	<u>\$ 2,212,427</u>	<u>\$ 1,175,914</u>

Budgetary activity for the year ending December 31, 2006 was as follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 229,067	\$ 244,623	\$ 15,556
Special Revenue	1,775,878	1,840,175	64,297
Capital Projects	150,000	134,667	(15,333)
Permanent	100	290	190
Private Purpose	575	1,949	1,374
Total	<u>\$ 2,155,620</u>	<u>\$ 2,221,704</u>	<u>\$ 66,084</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 209,347	\$ 173,057	\$ 36,290
Special Revenue	2,669,198	1,628,426	1,040,772
Capital Projects	150,000	134,667	15,333
Permanent	2,355	2,200	155
Private Purpose	575	557	18
Total	<u>\$ 3,031,475</u>	<u>\$ 1,938,907</u>	<u>\$ 1,092,568</u>

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

4. BUDGETARY, (continued)

Contrary to Ohio Law, actual receipts exceeded estimated resources in 2007 for the general, gasoline, and Issue II funds by \$12,117, \$23,435, and \$16,653, respectively, and in 2006 for the Issue II fund by \$15,333.

Also contrary to Ohio Law, appropriations exceeded estimated resources in the road and bridge fund in 2006 by \$5,600. Expenditures exceeded appropriations in the cemetery fund by \$159.

5. 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 applicable 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. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half 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 property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

6. DEBT

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Cemetery Building Bond	\$29,977	3.6%
Total	\$29,977	

On April 12, 2003, the Township refinanced building bonds in the amount of \$82,890, which had been issued for the construction of a Garage/Office complex for the use of the Germantown Union Cemetery. The bonds mature April 12, 2010.

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

Year Ending December 31:	Cemetery Building Bonds
2008	\$13,414
2009	13,414
2010	4,471
Total	\$31,299

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

7. LEASES

The Township entered into a lease agreement with Ohio Township Association Master Leasing Program for the lease of a John Deere backhoe. The Township leases this to the Germantown Union Cemetery. The Township received \$6,380 to pay lease costs for the years ended December 31, 2007 and 2006.

The Township entered into a lease agreement with Ohio Township Association Master Leasing Program for the lease of property. The Township leases the property under a noncancellable lease. The property is leased to the Germantown Union Cemetery. The Township received \$13,629 and \$31,370 to pay lease costs for the years ended December 31, 2007 and 2006, respectively.

Future lease payments for the above leases are as follows:

Year Ending December 31:	Amount
2008	\$ 31,605
2009	30,960
2010	30,312
2011	23,290
2012	22,644
2013 – 2017	112,560
2018 – 2019	44,880
Total	<u>\$296,251</u>

8. RETIREMENT SYSTEM

The Township's employees and elected officials, including law enforcement, belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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. In 2007, law enforcement members contributed 10.1 percent and other OPERS members contributed 9.5 percent of their gross salaries. The Township contributed an amount equal to 17.17 percent of participants' gross salaries for police and 13.85 percent for all other members. In 2006, law enforcement members contributed 10.1 percent and other OPERS members contributed 9.0 percent of their gross salaries. The Township contributed an amount equal to 16.93 percent of participants' gross salaries for police and 13.70 percent for all other members. The Township has paid all contributions required through December 31, 2007.

9. RISK MANAGEMENT

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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

9. RISK MANAGEMENT, (continued)

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 \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage 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 \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (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.

Financial Position

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 values. 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 government.

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

<u>Casualty Coverage</u>	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Retained Earnings	<u>\$29,852,866</u>	<u>\$29,921,614</u>

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

9. RISK MANAGEMENT, (Continued)

At December 31, 2007 and 2006, respectively, casualty coverage liabilities noted above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$29,288. This payable includes 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 used 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>	
2007	\$14,644
2006	\$21,836
2005	\$20,810

After completing one year of membership, member 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.

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

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation

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MANNING & ASSOCIATES CPAS, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

German Township, Montgomery County
12102 State Route 725 West
Germantown, Ohio 45327

To the Board of Trustees:

We have audited the accompanying financial statements of German Township, Montgomery County (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 10, 2008, wherein we noted the Township prepared its financial statements using the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and we noted the Township reclassified its trust funds. 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 audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township'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 would not necessarily identify all deficiencies in internal control over financial reporting that may be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect material misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township'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.

We consider the following deficiencies described in the accompanying schedule of findings to be a significant deficiencies in internal control over financial reporting: 2007-003 and 2007-004.

A material weakness is a significant deficiency, or combination of significant deficiencies, resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Internal Control Over Financial Reporting, continued

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We believe the significant deficiencies described above are not material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated July 10, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Township'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 Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-0002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 10, 2008.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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

Manning & Associates CPAs, LLC
Dayton, Ohio

July 10, 2008

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 and 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below that current level of appropriation. The following funds were determined to have estimated receipts in excess of actual receipts:

<u>Fund Name</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
2007			
General Fund	\$204,820	\$192,703	(12,117)
Gasoline Fund	133,200	109,765	(23,435)
Issue II Fund	165,333	148,680	(16,653)
2006			
Issue II Fund	150,000	134,667	(15,333)

Failure to obtain the amended certificate of estimated resources did not provide the Trustees with an accurate estimate of resources available for appropriations which could lead to negative fund balances. The Board should monitor receipts and amend estimated receipts when necessary to keep estimated receipts in line with actual receipts and make any corresponding amendments to its appropriations and disbursements.

Response: Fiscal Officer and Trustees will monitor budgetary compliance more closely in the future.

FINDING NUMBER 2007-002

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 and 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-002, continued

1. **“Then and Now” certificate** – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the “then and Now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.
2. **Blanket certificate** – 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 line item appropriation.
3. **Super Blanket certificate** – The district may also make expenditures and contracts for any amount from a specific line-item appropriation account 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 extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitments for one expenditure in 2007 and a then and now was issued in the amount of \$47,292. Failure to properly certify the availability of funds can lead to misappropriation of monies and negative cash fund balances.

Unless the exceptions noted above are utilized, 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 that Township funds will exceed budgetary spending limitations, we recommend that the Township Clerk certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, “then and now” certification should be used. We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Response: The expenditure was for the joint park board with the Village of Germantown. The Fiscal Officer will work with the Village of Germantown and prosecutor to require the Village Parks Board and the Levy Oversight Committee to follow the Village Charter and the proper procedures for handling of contracts, purchases, and expenditures for the Recreation Levy Fund (Parks) as required by ORC, prior to submitting payment to the Township for the expenditure.

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 and 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-003

Budgetary Reporting and Monitoring

The Township's budgetary information on their system did not match the information filed with the County Auditor. Amendments were made both on their system and with the County Auditor, however, the amounts reported on their system did not match the final amended certificate of estimated resources filed with the County. Incorrect budgetary information (estimated resources) is misleading and could lead to overspending.

The Township should develop and implement a monitoring control system to ensure only the amounts filed with the County Auditor are included for monitoring of the budget.

Monitoring controls should assist management in detecting material misstatements in the financial or other information presented. Such controls may include monthly review of budget and actual activity including required submission of budgetary reports by Trustees.

Response: The Fiscal Officer will include only those items reported to the County Auditor.

Finding 2007-004

Financial Reporting

As a result of the audit procedures performed, misclassifications were noted in the financial statements that required material audit adjustments. For 2007 and 2006, sale of assets were misclassified as miscellaneous revenue instead of sale of assets in the amount of \$17,000 and \$4,000. Reclassifications were needed to properly account for the previously reported expendable and non-expendable trust funds as special revenue, permanent, or private purpose funds. These financial statements have been adjusted to reflect the items above.

Sound financial reporting is the responsibility of the Fiscal Officer and Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Procedures should be implemented, including a final review of the annual report by Trustees to identify and correct misclassifications.

Response: The Trustees have reviewed the finding and will take responsibility to rectify the matter.



Mary Taylor, CPA
Auditor of State

GERMAN TOWNSHIP

MONTGOMERY 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
NOVEMBER 6, 2008**