

**German Township  
Clark County, Ohio  
Financial Statements  
December 31, 2009 and 2008**





# 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 & Associates, Ltd., for the audit period January 1, 2008 through December 31, 2009. 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

October 28, 2010

THIS PAGE WAS INTENTIONALLY LEFT BLANK

**German Township  
Clark County, Ohio**

Table of Contents

---

<u>Title</u>	<u>Page</u>
Independent Auditors' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances –All Governmental Fund Types for the Year Ended December 31, 2009	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types for the Year Ended December 31, 2008	4
Notes to the Financial Statements	5
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	14
Schedule of Findings	16
Schedule of Prior Audit Findings	19

THIS PAGE INTENTIONALLY LEFT BLANK

## 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, 2009 and 2008. 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, 2009 and 2008 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, 2009 and 2008, 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, 2009 and 2008, 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 16, 2010, 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 16, 2010



**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, 2009**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 54,568	\$ 944,042	\$ -	\$ -	\$ 998,610
Intergovernmental	96,731	216,117	-	-	312,848
Charges for Services	-	165,137	28,300	-	193,437
Licenses, Permits, and Fees	54,687	4,700	-	-	59,387
Fines, Forfeitures, and Penalties	-	104,360	-	-	104,360
Earnings On Investments	16,393	3,555	-	7	19,955
Other Revenue	2,696	28,936	-	-	31,632
Total Cash Receipts	<u>225,075</u>	<u>1,466,847</u>	<u>28,300</u>	<u>7</u>	<u>1,720,229</u>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
General Government	158,664	-	-	-	158,664
Public safety	-	736,614	-	-	736,614
Public works	-	377,452	-	-	377,452
Health	220	8,564	-	-	8,784
<b>Debt Services:</b>					
Redemption of Principle	12,700	-	-	-	12,700
Interest and Fiscal Charges	-	-	-	-	-
<b>Capital Outlay</b>	<u>237,212</u>	<u>171,798</u>	<u>87,240</u>	<u>-</u>	<u>496,250</u>
Total Cash Disbursements	<u>408,796</u>	<u>1,294,428</u>	<u>87,240</u>	<u>-</u>	<u>1,790,464</u>
Total Receipts Over/(Under) Disbursements	<u>(183,721)</u>	<u>172,419</u>	<u>(58,940)</u>	<u>7</u>	<u>(70,235)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Fixed Assets	-	12,000	-	-	12,000
Other Financing Sources	3,411	13,094	-	-	16,505
Total Other Financing Receipts/(Disbursements)	<u>3,411</u>	<u>25,094</u>	<u>-</u>	<u>-</u>	<u>28,505</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(180,310)</u>	<u>197,513</u>	<u>(58,940)</u>	<u>7</u>	<u>(41,730)</u>
Fund cash balances, January 1, 2009	\$ <u>552,865</u>	\$ <u>1,005,316</u>	\$ <u>207,320</u>	\$ <u>2,779</u>	\$ <u>1,768,280</u>
Fund cash balances, December 31, 2009	\$ <u>372,555</u>	\$ <u>1,202,829</u>	\$ <u>148,380</u>	\$ <u>2,786</u>	\$ <u>1,726,550</u>
Reserve for encumbrances, December 31, 2009	\$ <u>177,383</u>	\$ <u>95,934</u>	\$ <u>145,430</u>	\$ <u>-</u>	\$ <u>418,747</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, 2008**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 51,368	\$ 1,011,436	\$ -	\$ -	\$ 1,062,804
Intergovernmental	125,405	133,837	-	-	259,242
Charges for Services	-	10,541	28,300	-	38,841
Licenses, Permits, and Fees	50,232	6,700	-	-	56,932
Fines, Forfeitures, and Penalties	-	104,743	-	-	104,743
Earnings On Investments	35,856	7,247	-	70	43,173
Other Revenue	17,596	35,007	24,928	-	77,531
Total Cash Receipts	<u>280,457</u>	<u>1,309,511</u>	<u>53,228</u>	<u>70</u>	<u>1,643,266</u>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
General Government	159,175	-	-	-	159,175
Public safety	-	741,602	-	-	741,602
Public works	-	461,255	-	-	461,255
Health	10,984	2,080	-	-	13,064
<b>Debt Services:</b>					
Redemption of Principle	35,233	-	-	-	35,233
Interest and Fiscal Charges	280	-	-	-	280
<b>Capital Outlay</b>	<u>450</u>	<u>55,827</u>	<u>-</u>	<u>-</u>	<u>56,277</u>
Total Cash Disbursements	<u>206,122</u>	<u>1,260,764</u>	<u>-</u>	<u>-</u>	<u>1,466,886</u>
Total Receipts Over/(Under) Disbursements	<u>74,335</u>	<u>48,747</u>	<u>53,228</u>	<u>70</u>	<u>176,380</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Fixed Assets	-	860	-	-	860
Other Financing Uses	(29,020)	-	-	-	(29,020)
Total Other Financing Receipts/(Disbursements)	<u>(29,020)</u>	<u>860</u>	<u>-</u>	<u>-</u>	<u>(28,160)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>45,315</u>	<u>49,607</u>	<u>53,228</u>	<u>70</u>	<u>148,220</u>
Fund cash balances, January 1, 2008	\$ 507,550	\$ 955,709	\$ 154,092	\$ 2,709	\$ 1,620,060
Fund cash balances, December 31, 2008	\$ 552,865	\$ 1,005,316	\$ 207,320	\$ 2,779	\$ 1,768,280
Reserve for encumbrances, December 31, 2008	\$ 42	\$ 678	\$ -	\$ -	\$ 720

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

**GERMAN TOWNSHIP  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**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, 2009 AND 2008**

**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 and Road District Funds** - These funds 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 Funds**- These funds receive distribution of motor vehicle license tax from the county auditor to maintain and repair roads and road equipment.

**Cemetery Fund** – This fund receives fees for the sale of cemetery lots and burial fees.

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

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

**Fire and Rescue, Ambulance and EMS Fund** – This fund receives fees charged for Ambulance and EMS services.

**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.

**GERMAN TOWNSHIP  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

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

**D. Fund Accounting (continued)**

**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.

**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 2009 and 2008 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.

**GERMAN TOWNSHIP  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

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

**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.

**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>2009</u>	<u>2008</u>
Demand deposits	\$ 486,193	\$ 546,543
Total deposits	<u>486,193</u>	<u>546,543</u>
 STAR Ohio	 \$ 719,297	 \$ 717,317
Money Market	521,060	504,420
Total investments	<u>\$ 1,240,357</u>	<u>\$ 1,221,737</u>
 Total deposits and investments	 <u>\$ 1,726,550</u>	 <u>\$ 1,768,280</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, 2009 AND 2008**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 228,485	\$ 228,485	\$ 0
Special Revenue	1,491,941	1,491,941	0
Capital Projects	28,300	28,300	0
Permanent	<u>7</u>	<u>7</u>	<u>0</u>
Total	<u>\$ 1,748,733</u>	<u>\$ 1,748,733</u>	<u>\$ 0</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 810,657	\$ 408,796	\$ 401,861
Special Revenue	2,209,355	1,294,428	914,927
Capital Projects	287,320	87,240	200,080
Permanent	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 3,307,332</u>	<u>\$ 1,790,464</u>	<u>\$ 1,516,868</u>

2008 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 299,966	\$ 280,457	\$ (19,509)
Special Revenue	1,302,494	1,310,371	7,877
Capital Projects	80,000	53,228	(26,772)
Permanent	<u>200</u>	<u>70</u>	<u>(130)</u>
Total	<u>\$ 1,682,660</u>	<u>\$ 1,644,126</u>	<u>\$ (38,534)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 785,517	\$ 235,142	\$ 550,375
Special Revenue	2,243,786	1,260,764	983,022
Capital Projects	234,632	0	234,632
Permanent	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 3,263,935</u>	<u>\$ 1,495,906</u>	<u>\$ 1,768,029</u>

The appropriations exceeded total estimated revenue in the General Fund by \$32,267, Motor Vehicle License Tax by \$3,955, Cemetery Fund by \$500, Permissive Motor Vehicle License Tax by \$3,783 and Capital Projects – Capital Fire District by \$51,160 in 2009.

The appropriations exceeded the total estimated revenue by \$17,336 for the Police District Fund and \$20,000 for the Fire Rescue, Ambulance and EMS Fund in 2008.

**GERMAN TOWNSHIP  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**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 is due to the County February 12. If the property owner elects to make semiannual payment, the first payment is due February 12. The second half payment is due the following July 9.

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**

General obligation bonds with an interest rate of 2.76% were issued to pay legal fees based on a court ordered judgment. The bonds were collateralized solely by the Township's taxing authority. The Township made payments of \$9,833 during 2008. The bonds were paid in full in 2008.

The Township entered an agreement with the Village of North Hampton in 2005 for the Village to provide water service to Township residents at a cost of \$410,500. The Village financed the cost and the Township began making semi-annual payments in 2008. The Township made payments of \$25,400 during 2008 and \$12,700 in 2009. The interest rate is currently being reviewed by both parties which will affect the amount of principal owed by the Township at December 31, 2009 and the amortization of the remaining balance.

**6. RETIREMENT SYSTEMS**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). Full-time police officers are part of OPERS-L and part-time police officers are part of OPERS-G. OPERS is cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, full-time police officers contributed 10.1 percent of their gross salaries and all other OPERS members contributed 10.0 percent of their gross salaries. For 2008 and 2009, the Township contributed to OPERS an amount equal to 17.63 percent and 17.4 percent, respectively, of full-time police members' wages. The Township contributed an amount equaling 14.0 percent respectively, of all other participants' gross salaries. The Township has paid all contributions required through December 31, 2009.



**GERMAN TOWNSHIP  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**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.

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. American Risk Pooling consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty and Property Coverage**

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

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

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

**Financial Position**

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, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$ 40,737,740	\$ 43,210,703
Liabilities	( 12,981,818)	( 13,357,837)
Net Assets	<u>\$ 27,755,922</u>	<u>\$ 29,852,866</u>

**GERMAN TOWNSHIP  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**7. RISK MANAGEMENT (continued)**

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2008 and 2007, 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 \$10,000.

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	\$13,955
2008	\$13,577
2009	\$11,594

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide 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.

**8. SUBSEQUENT EVENTS**

The Township obtained a loan in April 2010 to finance a police cruiser.

In February 2010, the Township authorized the issuance and sale Township Building Bonds for a new Township building. The bonds were not to exceed \$300,000 and have an interest rate of 3.58 percent, and will mature in installments on or before May 2020. The Township drew the \$300,000 on June 17, 2010. The first interest payment was made in July 2010.

**GERMAN TOWNSHIP  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**9. CASH FUND BALANCES**

The General Fund Cash Balance at January 1, 2008 reflects an increase of \$3,371 from the General Fund Cash Balance at December 31, 2007 on the December 31, 2007 and 2006 financial statement. After the financial statements were issued the fiscal officer made adjustments OPERS due to a credit balance that was being carried forward incorrectly. The Special Revenue Cash Fund Balance at January 1, 2008 reflects an increase of \$46 from the Special Revenue Fund Cash Balance at December 31, 2007 on the December 31, 2007 and 2006 financial statement. After the financial statements were issued the fiscal officer voided a check in December 2008 that was written prior to January 2008. The Capital Projects Fund Cash Balance at January 1, 2009 reflects a decrease of \$540 from the Capital Projects Fund Cash Balance at December 31, 2007 on the December 31, 2007 and 2006 financial statement. The fiscal officer had transposed the numbers in a deposit when they were recorded in the Uniform Accounting Network.

## 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, 2009 and 2008, and have issued our report thereon dated June 16, 2010, 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 opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected. We consider findings 2009-01 and 2009-03 described in the accompanying schedule of findings to be material weaknesses.

### **Internal Control over Financial Reporting, continued**

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2009-02 described in the accompanying schedule of findings to be a significant deficiency.

### **Compliance and Other Matters**

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 grant agreements, 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 *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2009-01 through 2009-03.

We noted certain matters not requiring inclusion in this report to the management of the Township in a separate letter dated June 16, 2010.

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 management, the Board of Trustees, and others within the Township. It is not intended for anyone other than these specified parties.

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

Taylor, Applegate, Hughes and Associates, Ltd.  
June 16, 2010

**GERMAN TOWNSHIP  
CLARK COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

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

**FINDING NUMBER 2009-01**

**Noncompliance Citation/Material Weakness**

**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.

During 2009, appropriations exceeded total estimated resources in the General Fund by \$32,267, Motor Vehicle License Tax by \$3,955, Cemetery Fund by \$500, Permissive Motor Vehicle License Tax by \$3,783 and Capital Projects – Capital Fire District by \$51,160.

During 2008, appropriations exceeded the total estimated resources in the Police District Fund by \$17,336, Fire Rescue, Ambulance and EMS Fund by \$20,000.

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

**Officials' Response:** We received no response from the Township.

**FINDING NUMBER 2009-02**

**Noncompliance/Significant Deficiency**

**Ohio Rev. Code, Section 5705.41(D)(1)** 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 state 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.

**GERMAN TOWNSHIP  
CLARK COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

**FINDING NUMBER 2009-02 (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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township 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 Township.
2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority, effective September 26, 2003) 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 Township 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 line item appropriation.

During 2009 the Fiscal Officer did not properly certify Super Blanket Certificates 1-2009 – 119-2009 prior to purchase commitment by not signing the Certificates. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend that the Township’s fiscal officer certify that the funds are or will be available prior to the obligations by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend the Fiscal Officer sign all purchase orders to which section 5704.41(D) applies. The fiscal officer should sign the certification at the time the Township incurs a commitment.

**Officials’ Response:** We received no response from the Township.

**GERMAN TOWNSHIP  
CLARK COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

**FINDING NUMBER 2009-03**

**Noncompliance/Material Weakness**

**Ohio Revised Code Section 5705-36(A)(2)** 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 certificated of estimated resources. ORC 5705.36 requires the Township to obtain an increase amended certificate of estimated resources from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. The Ohio Revised Code 5705.36 (A)(4) requires the Township to obtain a reduced amended certificated if the amount of the deficiency will reduce available resources below the current level of appropriation.

In fiscal year 2008, appropriations exceeded the amount of available resources in the General Fund by \$882, Motor Vehicle License Tax by \$392, Road and Bridge Fund by \$6,015, Road District Fund by \$5,374, Permissive Motor Vehicle License Fund by \$8,855, Fire, Rescue, and Ambulance EMS Fund by \$29,806 and the Capital Projects – Capital Fire Fund by \$26,772. In fiscal year 2009, appropriations exceeded the amount of available resources in the General Fund by \$32,267, Motor Vehicle License Tax by \$3,955, Cemetery Fund by \$500, Permissive Motor Vehicle License Fund by \$3,783 and the Capital Projects – Capital Fire Fund by \$51,160. Failure to monitor the appropriations versus actual resources could result in expenditures exceeding available resources and possibly result in deficit spending.

We recommend the Township monitor the budget versus actual reports and approve modifications if necessary. Approval of the modifications should be enacted and documented in the Township Minutes.

**Officials' Response:** We received no response from the Township.



**GERMAN TOWNSHIP  
CLARK COUNTY  
SCHEDULE OF PRIOR AUDIT FINDING  
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Appropriations exceeding estimated resources	No	Reissued as Finding 2009-01
2007-002	Bank reconciliations	Yes	Corrected

**This Page is Intentionally Left Blank.**



**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  
NOVEMBER 9, 2010**