

Village of Germantown

Montgomery County

Regular Audit

January 1, 2003 Through December 31, 2004

Fiscal Years Audited Under GAGAS: 2004 & 2003

BALESTRA, HARR & SCHERER, CPAs, INC.
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**Auditor of State
Betty Montgomery**

Village Council
Village of Germantown
75 North Walnut Street
Germantown, Ohio 45327

We have reviewed the *Independent Auditor's Report* of the Village of Germantown, Montgomery County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2003 through December 31, 2004. 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 Auditor's 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 Auditor's 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. The Village of Germantown is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 1, 2006

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VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Village of Germantown
Montgomery County
75 North Walnut Street
Germantown, Ohio 45327

To the Village Council:

We have audited the accompanying financial statements of the Village of Germantown, Montgomery County, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

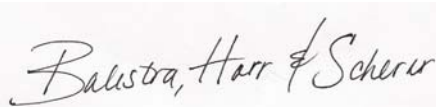
Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and for 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 do not present fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respect, the combined fund cash balances and reserves for encumbrances of the Village of Germantown, Montgomery County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village 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 date August 17, 2005 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.
August 17, 2005

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$ 1,133,348	\$ 298,208	\$ -	\$ -	\$ -	\$1,431,556
Special Assessments	-	85,061	-	16,684	-	101,745
Intergovernmental Receipts	320,879	630,428	-	182,267	-	1,133,574
Charges for Services	372	306	-	8,500	-	9,178
Fines, Licenses, and Permits	110,859	716	-	274,400	-	385,975
Rent	-	1,050	-	-	-	1,050
Donations	-	10,097	-	-	-	10,097
Earnings on Investments	15,149	676	12,894	-	299	29,018
Miscellaneous	12,958	23,852	-	350	-	37,160
Total Cash Receipts	<u>1,593,565</u>	<u>1,050,394</u>	<u>12,894</u>	<u>482,201</u>	<u>299</u>	<u>3,139,353</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	748,370	447,060	-	-	-	1,195,430
Community Environment	97,436	-	-	-	-	97,436
Public Health Services	1,234	-	-	-	-	1,234
Transportation	-	260,364	-	-	-	260,364
General Government	549,649	86,356	-	19,206	-	655,211
Debt Service:						
Principal Payments	16,400	-	-	405,300	-	421,700
Interest Payments	43,049	-	-	64,010	-	107,059
Capital Outlay	1,516	263,007	-	929,996	-	1,194,519
Total Cash Disbursements	<u>1,457,654</u>	<u>1,056,787</u>	<u>-</u>	<u>1,418,512</u>	<u>-</u>	<u>3,932,953</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>135,911</u>	<u>(6,393)</u>	<u>12,894</u>	<u>(936,311)</u>	<u>299</u>	<u>(793,600)</u>
Other Financing Receipts and (Disbursements):						
Proceeds from Sale of Notes	-	-	-	325,600	-	325,600
Transfers-In	21,934	25,000	-	69,688	-	116,622
Advances-In	14,135	-	-	-	-	14,135
Transfers-Out	(97,336)	-	(21,934)	-	-	(119,270)
Advances-Out	(20,000)	-	-	(5,458)	-	(25,458)
Total Other Financing Receipts/(Disbursements)	<u>(81,267)</u>	<u>25,000</u>	<u>(21,934)</u>	<u>389,830</u>	<u>-</u>	<u>311,629</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	54,644	18,607	(9,040)	(546,481)	299	(481,971)
Fund Cash Balances, January 1	81,955	143,817	26,786	1,428,854	15,982	1,697,394
Fund Cash Balances, December 31	<u>\$ 136,599</u>	<u>\$ 162,424</u>	<u>\$ 17,746</u>	<u>\$ 882,373</u>	<u>\$ 16,281</u>	<u>\$ 1,215,423</u>
Reserves for Encumbrances, December 31	\$ 13,267	\$ 20,557	\$ -	\$ 71,812	\$ -	\$ 105,636

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

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 1,418,770
Miscellaneous	10,379
	1,429,149
Total Operating Cash Receipts	1,429,149
Operating Cash Disbursements:	
Personal Services	354,585
Contractual Services	735,442
Supplies and Materials	112,192
Maintenance	18,154
Capital Outlay	117,531
	1,337,904
Total Operating Cash Disbursements	1,337,904
Operating Income	91,245
Non-Operating Cash Receipts:	
Proceeds from Sale of Notes	305,000
Intergovernmental Receipts	92,334
	397,334
Total Non-Operating Cash Receipts	397,334
Non-Operating Cash Disbursements:	
Debt Service:	
Principal	383,461
Interest	61,213
	444,674
Total Non-Operating Cash Disbursements	444,674
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	43,905
Transfers-In	2,648
Advances-In	20,000
Transfers-Out	-
Advances-Out	(8,677)
	57,876
Net Receipts Over/(Under) Disbursements	57,876
Fund Cash Balances, January 1	304,297
	362,173
Fund Cash Balances, December 31	\$ 362,173
Reserves for Encumbrances, December 31	\$ 6,958
	6,958

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

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$ 1,110,249	\$ 154,447	\$ -	\$ -	\$ -	\$ 1,264,696
Special Assessments	-	77,892	649	10,398	-	88,939
Intergovernmental Receipts	288,654	479,006	-	29,600	-	797,260
Charges for Services	5,832	555	-	-	-	6,387
Fines, Licenses, and Permits	61,883	755	-	308,825	-	371,463
Rent	-	800	-	-	-	800
Donations	-	8,210	-	-	-	8,210
Earnings on Investments	50,516	1,582	4,853	-	257	57,208
Miscellaneous	34,023	20,043	-	-	-	54,066
Total Cash Receipts	1,551,157	743,290	5,502	348,823	257	2,649,029
Cash Disbursements:						
Current:						
Security of Persons and Property	738,661	324,841	-	-	-	1,063,502
Community Environment	45,665	-	-	-	-	45,665
Transportation	-	297,124	-	-	-	297,124
General Government	636,372	59,429	206	14,034	-	710,041
Debt Service:						
Principal Payments	-	-	817,000	20,700	-	837,700
Interest Payments	-	-	17,609	65,855	-	83,464
Capital Outlay	21,028	177,523	-	268,262	-	466,813
Total Cash Disbursements	1,441,726	858,917	834,815	368,851	-	3,504,309
Total Cash Receipts Over/(Under) Cash Disbursements	109,431	(115,627)	(829,313)	(20,028)	257	(855,280)
Other Financing Receipts and (Disbursements):						
Proceeds from Sale of Notes/Bonds	-	-	-	1,705,300	-	1,705,300
Loan Proceeds	-	-	-	113,438	-	113,438
Transfers-In	207	66,391	823,969	231,796	-	1,122,363
Advances-In	38,723	5,300	-	12,758	-	56,781
Transfers-Out	(191,299)	(5,707)	-	(864,070)	(7,400)	(1,068,476)
Advances-Out	(52,758)	(5,300)	-	(7,400)	-	(65,458)
Total Other Financing Receipts/(Disbursements)	(205,127)	60,684	823,969	1,191,822	(7,400)	1,863,948
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(95,696)	(54,943)	(5,344)	1,171,794	(7,143)	1,008,668
Fund Cash Balances, January 1	177,651	198,760	32,130	257,060	23,125	688,726
Fund Cash Balances, December 31	\$ 81,955	\$ 143,817	\$ 26,786	\$ 1,428,854	\$ 15,982	\$ 1,697,394
Reserves for Encumbrances, December 31	\$ 14,905	\$ 141,225	\$ -	\$ 1,036,738	\$ -	\$ 1,192,868

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

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 1,317,691
Miscellaneous	2,918
	1,320,609
Operating Cash Disbursements:	
Personal Services	350,743
Contractual Services	749,811
Supplies and Materials	70,220
Maintenance	20,820
Capital Outlay	124,844
	1,316,438
Operating Income	4,171
Non-Operating Cash Receipts:	
Intergovernmental Receipts	89,877
Non-Operating Cash Disbursements:	
Debt Service:	
Principal	33,350
Interest	55,000
	88,350
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	5,698
Transfers-In	111,821
Advances-In	34,700
Transfers-Out	(165,708)
Advances-Out	(26,023)
	(39,512)
Net Receipts Over/(Under) Disbursements	(39,512)
Fund Cash Balances, January 1	343,809
Fund Cash Balances, December 31	\$ 304,297
Reserves for Encumbrances, December 31	\$ 1,415

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

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Germantown, Montgomery County, (the Village) 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. Pursuant to the provisions of Article XVIII of the Constitution of Ohio, the voters of the Village adopted a charter for the government of the Village in 1976. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, refuse services, park operations, pool operations, and police and fire services. Emergency medical services are provided to the Village by Germantown Rescue Squad, which is a volunteer organization.

The Village's management believes these financial statements present all activities for which the Village 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 or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of Deposit and U.S. Government Security Notes 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 Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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.

2. Special Revenue Fund

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 Village had the following significant Special Revenue Funds:

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Senior Citizens Center Fund -This fund receives levied tax money from German Township for the construction and operation of a community Senior Citizens Center.

Street Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Motor Vehicle License Tax Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Street Lighting Fund – This fund receives real estate tax money for the equipping, maintaining and repairing of the Village street lights.

Police Levy Fund – This fund receives levied tax money from the Village of Germantown to equip, maintain and provide service to the Village.

Fire Services Fund – This fund receives levied tax money from German Township to provide fire protection services.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

Bond Retirement Fund – This fund receives transfers from various funds to provide for annual debt payments on bond anticipation notes and bonds.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Water Capital Improvement – This fund receives proceeds from the sale of permits and tap fees. This fund provides for the improving and maintenance of the water department.

Sewer Capital Improvement – This fund receives proceeds from the sale of permits and tap fees. This fund provides for the improving and maintenance of the sewer department.

Parks Capital Improvement Fund – This fund receives proceeds from the sale of permits. This fund provides for the maintenance and improvement of the Village Park.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Refuse Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Swimming Pool – This fund receives charges for services from residents and intergovernmental revenues to cover the cost of providing this service.

6. Fiduciary Funds (Trust Funds)

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

Covered Bridge Fund (Expendable Trust) – This fund receives interest on invested donations to provide for the maintenance of the covered bridge located in the Village.

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 level and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and 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 Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2004 and 2003 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 on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

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

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village 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:

	2004	2003
Demand deposits	\$ 107,209	\$ 91,695
Certificates of deposit	1,429,261	1,808,608
Total deposits	1,536,470	1,900,301
U.S. Government Securities	10,553	71,200
STAR Ohio	30,573	30,187
Total investments	41,126	101,387
Total deposits and investments	\$1,577,596	\$2,001,691

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,597,257	\$1,629,634	\$32,377
Special Revenue	1,195,388	1,075,394	(119,994)
Debt Service	0	12,894	12,894
Capital Projects	922,927	877,489	(45,438)
Enterprise	1,799,014	1,849,131	50,117
Fiduciary	350	299	(51)
Total	\$5,514,936	\$5,444,841	\$(70,095)

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,640,000	\$1,588,257	\$51,743
Special Revenue	1,074,558	1,077,344	(2,786)
Debt Service	21,934	21,934	0
Capital Projects	1,529,373	1,495,782	33,591
Enterprise	1,846,297	1,798,213	48,084
Fiduciary	0	0	0
Total	<u>\$6,112,162</u>	<u>\$5,981,530</u>	<u>\$130,632</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,475,691	\$1,590,087	\$114,396
Special Revenue	1,018,886	814,981	(203,905)
Debt Service	825,260	829,471	4,211
Capital Projects	2,366,899	2,412,115	45,216
Enterprise	1,522,300	1,557,007	34,707
Fiduciary	400	257	(143)
Total	<u>\$7,209,436</u>	<u>\$7,203,918</u>	<u>(\$5,518)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,700,246	\$1,680,688	\$19,558
Special Revenue	1,153,272	1,005,849	147,423
Debt Service	868,357	834,815	33,542
Capital Projects	2,382,932	2,269,659	113,273
Enterprise	1,597,934	1,571,911	26,023
Fiduciary	7,400	7,400	0
Total	<u>\$7,710,141</u>	<u>\$7,370,322</u>	<u>\$339,819</u>

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Law, expenditures exceeded the appropriation authority in the Covered Bridge ODOT Capital Projects Fund for 2003 in the amount of \$36,986, respectively. For 2004, expenditures exceeded the appropriation authority in the Dry Run Capital Projects Fund, Water Booster Station Improvement Capital Projects Fund and Fire Special Revenue Fund in the amount of \$151,973, \$65,130 and \$58,715, respectively.

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. 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 payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village. 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 Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.25% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Municipal Building Bonds	766,300	5.5% - 6.4%
Ohio Public Works Commission (OPWC) Project #CT08D	115,462	0.01%
Ohio Public Works Commission (OPWC) Project #CT08F	113,438	0.01%
General Obligation Bonds	50,000	5.69%
General Obligation Notes	630,600	1.74% - 5.54%
Mortgage Revenue Bonds	1,032,000	5.0%
Sanitary Sewer System Improvement Bond	<u>965,000</u>	5.3%
Total	<u>\$3,672,800</u>	

Outstanding OPWC notes (Project #CT08D) consist of a loan to fund the Hillcrest Sewer Improvement. The debt will be repaid from revenues of the Village's sewer system.

Outstanding OPWC notes (Project #CT08F) consist of a loan to fund the water booster station improvements. The debt will be repaid from revenues of the Village's water system.

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

6. DEBT (Continued)

Municipal Building Bonds consist of bonds issued for the purpose of constructing a new municipal building. General Obligations are direct obligations of the Village for which the Village's full faith and credit are pledged and are payable from taxes levied on all taxable property in the Village.

Outstanding General Obligation bonds consist of bonds for Weaver Road improvements. General Obligations are direct obligations of the Village for which the Village's full faith and credit are pledged and are payable from taxes levied on all taxable property in the Village.

Outstanding General Obligation Notes consist of various issues to fund construction projects and various improvements. All of these issues have been issued for a period of one year or less. Notes will be repaid through re-issuance of the obligation and transfers from the General Fund.

Outstanding Mortgage Revenue Bonds are for the improvement of the water system for the Village. Property and revenue of the Village's water system has been pledged to repay this debt.

Amortization of the above debt, including interest, of \$1,998,032 is scheduled as follows:

	Municipal Building Bonds	OPWC	General Obligation Bonds	General Obligation Notes	Mortgage Revenue Bonds	Sanitary Sewer Improvement Bond
2005	\$ 59,547	\$ 6,852	\$ 8,050	\$ 641,750	\$ 88,600	\$ 77,479
2006	59,490	6,852	7,745	-	88,750	76,916
2007	59,583	6,852	7,440	-	87,800	76,104
2008	59,516	6,852	7,240	-	88,450	75,291
2009	59,494	6,852	7,040	-	88,100	74,478
2010-2014	297,567	34,260	29,260	-	441,700	385,305
2015-2019	297,572	34,260	-	-	441,750	385,879
2020-2024	297,541	27,408	-	-	263,850	381,930
2025-2027	178,579	-	-	-	-	227,410
	<u>\$ 1,368,889</u>	<u>\$ 130,188</u>	<u>\$ 66,775</u>	<u>\$ 641,750</u>	<u>\$ 1,589,000</u>	<u>\$ 1,760,792</u>

OPWC Project #CT08F does not have a final amortization schedule and is not included in the above amortization schedule.

7. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2004 and 2003. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

8. RISK POOL MEMBERSHIP

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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

The Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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Ohio Society of Certified Public Accountants

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

Village of Germantown
Montgomery County
75 North Walnut Street
Germantown, Ohio 45327

To the Village Council:

We have audited the financial statements of the Village of Germantown, Montgomery County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 17, 2005, wherein we noted the Village 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2003/2004-001 and 2003/2004-002.

We noted other matters that have been reported to the Village's management in a letter dated August 17, 2005.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Page 2

This report is intended solely for the information and use of the audit committee, management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

August 17, 2005

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDING NUMBER 2003/2004-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations in the following funds and fiscal years:

<u>Year</u>	<u>Fund</u>	<u>Amount</u>
2004	Fire Levy Special Revenue Fund	\$ 58,715
	Dry Run Capital Projects Fund	\$151,973
	Water Booster Station Capital Projects Fund	\$ 65,130
2003	Covered Bridge ODOT Capital Projects Fund	\$ 36,986

The fiscal officer should deny payment requests exceeding appropriations. The fiscal officer may request the Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

The Village stated that they would make every effort to correct this issue as soon as possible.

FINDING NUMBER 2003/2004-002

Noncompliance Citation

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

Budgeted receipts exceeded actual receipts by more than \$10,000 in the following funds and fiscal years:

<u>Year</u>	<u>Fund</u>	<u>Amount</u>
2004	Senior Citizens Special Revenue Fund	\$ 17,876
	Fire Services Special Revenue Fund	\$ 31,194
	Tollhouse CDBG Special Revenue Fund	\$ 36,969
	Street Special Revenue Fund	\$ 12,336
	Astoria Recreation Complex Capital Projects Fund	\$ 90,000
2003	Senior Citizens Special Revenue Fund	\$ 14,305
	Street Special Revenue Fund	\$ 21,535
	Fire Service Special Revenue Fund	\$165,014

The Village did not request amended certificates when it became apparent that estimated resources would be less than the amount in the official certificate of estimated resources for the funds listed above. This could result in expenditures being made for which resources are not available or appropriations being made when revenues have not been certified.

We recommend the fiscal officer and Council monitor estimated and actual revenue for all funds on a regular basis. Furthermore, when it becomes evident that actual receipts will be greater or less than budgeted receipts, an amended certificate should be requested from the County Auditor and appropriations should be adjusted accordingly.

The Village stated that they would make every effort to correct this issue as soon as possible.

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-30357-002 Repeated as Finding 2002-002	Ohio Revised Code 5705.41 (B), Expenditures exceeded appropriations	No	Repeated as Finding 2003/2004-001
2002-001	Ohio Revised Code 5705.41(D) Certification of Funds	Yes	
2002-003	Ohio Revised Code 5705.36 Reduce Amended Certificates	No	Repeated as finding 2003/2004-002



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VILLAGE OF GERMANTOWN

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
MARCH 14, 2006**