



Mary Taylor, CPA
Auditor of State

**GERMAN TOWNSHIP
FULTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

German Township
Fulton County
P.O. Box 68
Archbold, Ohio 43502-0068

To the Board of Trustees

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of German Township, Fulton County, Ohio (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). Government Auditing Standards considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, Government Auditing Standards permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of German Township, Fulton County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge, Fire District, and Road District funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

In accordance with Government Auditing Standards, we have also issued our report dated January 29, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Mary Taylor, CPA
Auditor of State

January 29, 2008

**GERMAN TOWNSHIP
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

This discussion and analysis of German Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

- Net assets of governmental activities decreased \$232,012, or 32.6 percent, a significant change from the prior year. The funds most affected by the decrease in cash and cash equivalents were the Road and Bridge, Road District and Fire Fund, which realized the greatest burden activity with major purchases made in 2005; however, cost increases affected most funds.
- The Township's general receipts are primarily property taxes and state mandated intergovernmental revenues. Property tax receipts represent 56.3 percent and intergovernmental revenues represent 39.3 percent of the total cash received for governmental activities during the year.
- The Township undertook a major road project with the assistance of Issue II grant money from the State of Ohio. This project was completed in 2005 and payment was completed in early 2006.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**GERMAN TOWNSHIP
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the governmental activities include the Township's program and services, including general government services, fire apparatus and equipment maintenance, cemetery maintenance, and road and bridge maintenance. State grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are reported in governmental funds.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General, Gasoline Tax, Road and Bridge, Fire District, Road District and Ohio Public Works Commission. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**GERMAN TOWNSHIP
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 on a cash basis. This the first year the Township has reported in this format in future years when information is available a comparative analysis with the prior year will be included:

(Table 1)
Net Assets

	Governmental Activities
	2005
Assets	
Cash and Cash Equivalents	\$482,833
Total Assets	\$482,833
Net Assets	
Restricted for:	
Other Purposes	309,821
Unrestricted	173,012
Total Net Assets	\$482,833

As mentioned previously, net assets of governmental activities decreased \$232,012 or 32.6 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- Major Road Construction Project on County Road 24 with matching fund grant issued by the State of Ohio (but received most of it in early 2006).
- Purchase of New dump truck for the Township and Fire Truck for the Fire Department. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**GERMAN TOWNSHIP
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

(Table 2)
Changes in Net Assets

	Governmental Activities
	2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$1,004
Operating Grants and Contributions	126,387
Capital Grants and Contributions	89,151
Total Program Receipts	216,542
General Receipts:	
Property and Other Local Taxes	473,131
Grants and Entitlements Not Restricted to Specific Programs	114,683
Sale of Fixed Assets	8,455
Earnings on Investments	20,859
Miscellaneous	7,024
Total General Receipts	624,152
Total Receipts	840,694
Disbursements:	
General Government	179,137
Public Safety	139,189
Public Works	658,331
Health	6,898
Capital Outlay	89,151
Total Disbursements	1,072,706
Decrease in Net Assets	(232,012)
Net Assets, January 1	714,845
Net Assets, December 31	\$482,833

Program receipts represent 25.8 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gasoline tax, and Issue II grants.

General receipts represent 74.2 percent of the Township's total receipts, and of this amount, 75.8 percent are local taxes. State and federal grants and entitlements and earnings on investments make up the balance of the Township's general receipts. Sale of fixed assets and miscellaneous receipts are very insignificant and somewhat unpredictable revenue sources.

**GERMAN TOWNSHIP
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Government activities. These include the costs of the Fiscal Officer and Trustees, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs of General Fund unrestricted receipts.

Disbursements for Public Safety are the costs of maintaining fire apparatus and equipment and providing fire service to the Township's residents and Public Works are the cost of maintaining and repairing Township roads and bridges.

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Works, which accounts for 61.4 percent of all governmental disbursements. General Government and Public Safety also represent significant costs, about 16.7 percent and 13 percent respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$179,137	\$178,383
Public Safety	139,189	135,726
Public Works	658,331	535,407
Health	6,898	6,648
Capital Outlay	89,151	
Total Expenses	\$1,072,706	\$856,164

The dependence upon property tax receipts is apparent as 44.1 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$840,694, excluding transfers and advances and disbursements of \$1,072,706, excluding transfers and advances for the year 2005. The greatest change within governmental funds occurred within the Road and Bridge and Road District Funds. The fund balance of these two funds decreased by nearly \$300,000 as the result of a major road project on County Road 24, related to an Issue II grant from the Ohio Public Works Commission.

General Fund receipts were more than disbursements by \$29,637 indicating that the Township is working within the General Fund allowance.

**GERMAN TOWNSHIP
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During 2005, the Township made no significant changes to its budget.

Final disbursements and other financing uses were budgeted at \$319,600 while actual disbursements and other financing uses were \$271,094. Receipts came in a bit above expectations and appropriations more than were needed for the year. The Township kept spending very close to budgeted amounts. It is the effort of the Township to save funds for major projects, thus eliminating or minimizing the need to borrow funds. Based on the fiscal responsibility of the Trustees, the Township is able to maintain a balance that allows it to operate in the black.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes. Changes in state tax structures threaten to cut into our current funding. The Township will work to find ways to reduce costs and make purchases in the most cost effective way possible.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, and government officials with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mari Yoder, Fiscal Officer, German Township, PO Box 68, Archbold, OH 43502.

**GERMAN TOWNSHIP
FULTON COUNTY**

*Statement of Net Assets - Cash Basis
December 31, 2005*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$482,833</u>
<i>Total Assets</i>	<u><u>\$482,833</u></u>
Net Assets	
Restricted for:	
Other Purposes	309,821
Unrestricted	<u>173,012</u>
<i>Total Net Assets</i>	<u><u>\$482,833</u></u>

See accompanying notes to the basic financial statements

**GERMAN TOWNSHIP
FULTON COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2005*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$179,137	\$754		(\$178,383)
Public Safety	139,189		\$3,463	(135,726)
Public Works	658,331		122,924	(535,407)
Health	6,898	250		(6,648)
Capital Outlay	89,151		\$89,151	
Total	\$1,072,706	\$1,004	\$126,387	(\$89,151)
 General Receipts				
Property Taxes Levied for:				
				156,119
				98,543
				69,729
				139,404
				9,336
				114,683
				8,455
				20,859
				7,024
				<i>Total General Receipts</i>
				624,152
				(232,012)
				<i>Net Assets Beginning of Year</i>
				714,845
				<i>Net Assets End of Year</i>
				\$482,833

See accompanying notes to the basic financial statements

**GERMAN TOWNSHIP
FULTON COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005*

	General	Gasoline Tax	Road and Bridge	Fire District	Road District	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$173,012	\$24,349	\$19,491	\$195,017	\$15,874	\$55,090	\$482,833
<i>Total Assets</i>	<u>\$173,012</u>	<u>\$24,349</u>	<u>\$19,491</u>	<u>\$195,017</u>	<u>\$15,874</u>	<u>\$55,090</u>	<u>\$482,833</u>
Fund Balances							
Unreserved:							
Undesignated, Reported in:							
General Fund	\$173,012						173,012
Special Revenue Funds		24,349	19,491	195,017	15,874	55,090	309,821
<i>Total Fund Balances</i>	<u>\$173,012</u>	<u>\$24,349</u>	<u>\$19,491</u>	<u>\$195,017</u>	<u>\$15,874</u>	<u>\$55,090</u>	<u>\$482,833</u>

See accompanying notes to the basic financial statements

**GERMAN TOWNSHIP
FULTON COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005*

	General	Gasoline Tax	Road and Bridge	Fire District
Receipts				
Property and Other Local Taxes	\$156,119		\$98,543	\$69,729
Licenses, Permits and Fees	754			
Intergovernmental	114,683	\$83,504	12,705	3,463
Earnings on Investments	18,497	1,089		
Miscellaneous	6,678		310	
<i>Total Receipts</i>	<u>296,731</u>	<u>84,593</u>	<u>111,558</u>	<u>73,192</u>
Disbursements				
Current:				
General Government	179,137			
Public Safety	78,987			60,202
Public Works	2,257	63,311	240,097	
Health	213			
Capital Outlay				
<i>Total Disbursements</i>	<u>260,594</u>	<u>63,311</u>	<u>240,097</u>	<u>60,202</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>36,137</u>	<u>21,282</u>	<u>(128,539)</u>	<u>12,990</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets			8,455	
Transfers In				
Transfers Out	(6,500)			
Advances In	4,000	4,000		
Advances Out	(4,000)	(4,000)		
<i>Total Other Financing Sources (Uses)</i>	<u>(6,500)</u>		<u>8,455</u>	
<i>Net Change in Fund Balances</i>	29,637	21,282	(120,084)	12,990
<i>Fund Balances Beginning of Year</i>	<u>143,375</u>	<u>3,067</u>	<u>139,575</u>	<u>182,027</u>
<i>Fund Balances End of Year</i>	<u><u>\$173,012</u></u>	<u><u>\$24,349</u></u>	<u><u>\$19,491</u></u>	<u><u>\$195,017</u></u>

See accompanying notes to the basic financial statements

Road District	Public Works Commission Project	Other Governmental Funds	Total Governmental Funds
\$139,404		\$9,336	\$473,131
6,927	\$89,151	250	1,004
		19,788	330,221
		1,273	20,859
		36	7,024
<u>146,331</u>	<u>89,151</u>	<u>30,683</u>	<u>832,239</u>
			179,137
323,991		28,675	139,189
		6,685	658,331
	89,151		6,898
<u>323,991</u>	<u>89,151</u>	<u>35,360</u>	<u>89,151</u>
<u>(177,660)</u>	<u>\$89,151</u>	<u>(4,677)</u>	<u>1,072,706</u>
			8,455
		6,500	6,500
			(6,500)
			8,000
			(8,000)
		6,500	8,455
(177,660)		1,823	(232,012)
<u>193,534</u>		<u>53,267</u>	<u>714,845</u>
<u>\$15,874</u>		<u>\$55,090</u>	<u>\$482,833</u>

**GERMAN TOWNSHIP
FULTON COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$225,600	\$225,600	\$156,119	(\$69,481)
Licenses, Permits and Fees			754	754
Intergovernmental	9,315	9,315	114,683	105,368
Earnings on Investments	9,085	9,085	18,497	9,412
Miscellaneous	4,000	4,000	6,678	2,678
<i>Total receipts</i>	<u>248,000</u>	<u>248,000</u>	<u>296,731</u>	<u>48,731</u>
Disbursements				
Current:				
General Government	211,100	213,100	179,137	33,963
Public Safety	83,000	89,000	78,987	10,013
Public Works	5,000	5,000	2,257	2,743
Health	3,000	2,000	213	1,787
<i>Total Disbursements</i>	<u>302,100</u>	<u>309,100</u>	<u>260,594</u>	<u>48,506</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(54,100)</u>	<u>(61,100)</u>	<u>36,137</u>	<u>97,237</u>
Other Financing Sources (Uses)				
Transfers Out	(6,500)	(6,500)	(6,500)	
Advances In			4,000	4,000
Advances Out		(4,000)	(4,000)	
<i>Total Other Financing Sources (Uses)</i>	<u>(6,500)</u>	<u>(10,500)</u>	<u>(6,500)</u>	<u>4,000</u>
<i>Net Change in Fund Balance</i>	(60,600)	(71,600)	29,637	101,237
<i>Fund Balance Beginning of Year</i>	<u>143,375</u>	<u>143,375</u>	<u>143,375</u>	
<i>Fund Balance End of Year</i>	<u><u>\$82,775</u></u>	<u><u>\$71,775</u></u>	<u><u>\$173,012</u></u>	<u><u>\$101,237</u></u>

See accompanying notes to the basic financial statements

**GERMAN TOWNSHIP
FULTON COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$61,000	\$61,000	\$83,504	\$22,504
Earnings on Investments	50	50	1,089	1,039
<i>Total receipts</i>	<u>61,050</u>	<u>61,050</u>	<u>84,593</u>	<u>23,543</u>
Disbursements				
Current:				
Public Works	64,000	64,000	63,311	689
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,950)</u>	<u>(2,950)</u>	<u>21,282</u>	<u>24,232</u>
Other Financing Sources (Uses)				
Advances In			4,000	4,000
Advances Out			(4,000)	(4,000)
<i>Total Other Financing Sources (Uses)</i>				
<i>Net Change in Fund Balance</i>	(2,950)	(2,950)	21,282	24,232
<i>Fund Balance Beginning of Year</i>	<u>3,067</u>	<u>3,067</u>	<u>3,067</u>	
<i>Fund Balance End of Year</i>	<u><u>\$117</u></u>	<u><u>\$117</u></u>	<u><u>\$24,349</u></u>	<u><u>\$24,232</u></u>

See accompanying notes to the basic financial statements

**GERMAN TOWNSHIP
FULTON COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$104,585	\$104,585	\$98,543	(\$6,042)
Intergovernmental			12,705	12,705
Miscellaneous			310	310
<i>Total receipts</i>	<u>104,585</u>	<u>104,585</u>	<u>111,558</u>	<u>6,973</u>
Disbursements				
Current:				
Public Works	241,000	241,000	240,097	903
<i>Excess of Disbursements over Receipts</i>	<u>(136,415)</u>	<u>(136,415)</u>	<u>(128,539)</u>	<u>7,876</u>
Other Financing Sources				
Sale of Fixed Assets			8,455	8,455
<i>Net Change in Fund Balance</i>	(136,415)	(136,415)	(120,084)	16,331
<i>Fund Balance Beginning of Year</i>	<u>139,575</u>	<u>139,575</u>	<u>139,575</u>	
<i>Fund Balance End of Year</i>	<u><u>\$3,160</u></u>	<u><u>\$3,160</u></u>	<u><u>\$19,491</u></u>	<u><u>\$16,331</u></u>

See accompanying notes to the basic financial statements

**GERMAN TOWNSHIP
FULTON COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire District Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$63,000	\$63,000	\$69,729	\$6,729
Intergovernmental			3,463	3,463
<i>Total receipts</i>	<u>63,000</u>	<u>63,000</u>	<u>73,192</u>	<u>10,192</u>
Disbursements				
Current:				
Public Safety	<u>242,900</u>	<u>242,900</u>	<u>60,202</u>	<u>182,698</u>
<i>Net Change in Fund Balance</i>	(179,900)	(179,900)	12,990	192,890
<i>Fund Balance Beginning of Year</i>	<u>182,027</u>	<u>182,027</u>	<u>182,027</u>	
<i>Fund Balance End of Year</i>	<u><u>\$2,127</u></u>	<u><u>\$2,127</u></u>	<u><u>\$195,017</u></u>	<u><u>\$192,890</u></u>

See accompanying notes to the basic financial statements

**GERMAN TOWNSHIP
FULTON COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road District Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$135,000	\$135,000	\$139,404	\$4,404
Intergovernmental			6,927	6,927
<i>Total receipts</i>	<u>135,000</u>	<u>135,000</u>	<u>146,331</u>	<u>11,331</u>
Disbursements				
Current:				
Public Works	<u>324,400</u>	<u>324,400</u>	<u>323,991</u>	<u>409</u>
<i>Net Change in Fund Balance</i>	(189,400)	(189,400)	(177,660)	11,740
<i>Fund Balance Beginning of Year</i>	<u>193,534</u>	<u>193,534</u>	<u>193,534</u>	
<i>Fund Balance End of Year</i>	<u><u>\$4,134</u></u>	<u><u>\$4,134</u></u>	<u><u>\$15,874</u></u>	<u><u>\$11,740</u></u>

See accompanying notes to the basic financial statements

**GERMAN TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 1 – REPORTING ENTITY

German Township, Fulton County, Ohio (the Township), is a body politic and corporate established in 1839 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 also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Village of Archbold for fire protection. Police protection is provided by the Fulton County Sheriff.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

German Township does not have any component units.

C. Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

**GERMAN TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township has six major governmental funds. They are:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

**GERMAN TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Gasoline Tax Fund – The Gasoline Tax Fund receives gasoline tax money to pay for constructing, maintaining and repairing the Township's roads.

Road and Bridge Fund – The Road and Bridge Fund receives property tax monies for constructing, maintaining and repairing the Township's roads and bridges.

Fire District Fund – The Fire District Fund receives property tax monies for the purchase and maintenance of fire apparatus and equipment.

Road District Fund – The Road District Fund receives property tax monies for constructing, maintaining and repairing the Township's roads and bridges.

Ohio Public Works Commission Fund – The Ohio Public Works Commission Fund received Issue II grant monies from the State of Ohio to repair County Road 24.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

**GERMAN TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

During 2005, the Township invested in a nonnegotiable certificate of deposit. The nonnegotiable certificate of deposit is reported at cost.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$18,497.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets include Cemetery bequests left by residents in the amount of a \$500 certificate of deposit for cemetery use.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**GERMAN TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

K. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for special revenue funds. Those resources are restricted for roads and bridges, cemetery, and fire apparatus and maintenance. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. There were no fund balance reserves at December 31, 2005.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3 – CHANGE IN BASIS OF PRESENTATION

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. There are no adjustments to beginning fund balances since the basis of accounting has not changed.

NOTE 4 – COMPLIANCE

Contrary to Ohio law, the Township did not obtain an amended certificate for \$89,151 or appropriate it resulting in budgetary expenditures exceeded appropriation authority in the Ohio Public Works Commission fund.

**GERMAN TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General, Gasoline Tax, Road and Bridge, Fire District, and Road District funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There are no differences between budgetary basis and the cash basis because the Township cancels outstanding year encumbrances.

NOTE 6 – DEPOSITS AND INVESTMENTS

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**GERMAN TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 6 – DEPOSITS AND INVESTMENTS – (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$654,772 of the Township's bank balance of \$754,772 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

NOTE 7 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**GERMAN TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 7 – PROPERTY TAXES – (Continued)

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

NOTE 8 – RISK MANAGEMENT

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

Casualty Coverage

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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 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.

Property Coverage

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

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

**GERMAN TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 8 – RISK MANAGEMENT – (Continued)

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

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

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, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. Because OTARMA is a public entity risk pool that shares risk management among its members, a specific liability related to the Township can not be reasonably estimated.

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.

<u>Township Contributions to OTARMA</u>	
2005 (first year)	\$18,534

**GERMAN TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 8 – RISK MANAGEMENT – (Continued)

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

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003, were \$28,075, \$15,333, and \$16,303 respectively. The full amount has been contributed for 2005, 2004, and 2003.

**GERMAN TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 10 – POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1 and 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 358,804. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$6,617. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.1 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

NOTE 11 – INTERFUND TRANSFERS

During 2005 the following transfer was made:

Transfers from the General Fund to:	
Other Governmental Funds	\$6,500

Transfer represents the allocation of unrestricted receipts collected in the General Fund to finance continued cemetery maintenance and administration accounted for in other funds in accordance with budgetary authorizations.

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Mary Taylor, CPA

Auditor of State

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

German Township
Fulton County
P.O. Box 68
Archbold, Ohio 43502-0068

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of German Township, Fulton County (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated January 29, 2008, wherein, we noted the Township revised its financial statements presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this Township, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

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A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider the reportable condition listed above to be a material weakness. In a separate letter to the Township's management dated January 29, 2008, we reported another matter involving internal control over financial reporting which we did not deem a reportable condition.

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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-002. In a separate letter to the Township's management dated January 29, 2008, we reported other matters related to noncompliance we deemed immaterial.

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



Mary Taylor, CPA
Auditor of State

January 29, 2008

**GERMAN TOWNSHIP
FULTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

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

FINDING NUMBER 2005-001

Material Weakness

Entering Financial Data into the Accounting System

The Township should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements. The Fiscal Officer did not always accurately post receipts and expenditures to the Township's accounting system, resulting in thirteen material audit adjustments.

Not posting financial information accurately to the ledgers resulted in the financial statements requiring audit reclassifications and adjusting entries.

We recommend the Township's Fiscal Officer take steps to ensure the accurate posting of all financial activity. Cash receipts and expenditures posting should be made in accordance with procedures and posting guidelines established by the Uniform Accounting Network. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of financial data throughout the year. We also recommend the Board of Trustees more closely monitor financial information posting to help detect any posting errors or inaccuracies.

Officials Response:

The Township's management did not respond to this finding.

FINDING NUMBER 2005-002

Noncompliance Citation

Chapter 5705 of the Revised Code sets forth a scheme that provides for a uniform budget and appropriation process in order to assure that a governmental entity expends no more than it expects to receive in revenue. In order to accomplish this end, all appropriations must be accounted to and from each appropriation fund. While federal and state loans and grants are deemed appropriated and in the process of collection so as to be available for expenditure, they must still be recorded. R.C. 5705.42. Thus, a mechanism is still required to account for receipt and expenditure. That mechanism is an amendment of, or a supplement to, the entity's estimated resources, or its appropriation measure, which shall comply with all provisions of law governing the taxing authority in making an original appropriation. R.C. 5705.40. An original appropriation measure must be passed by the taxing authority, and any amendment of, or supplement to, that measure also requires legislative action. R.C. 5705.38. Additionally, R.C. 5705.41(B) states that no political subdivision is to expend money unless it has been appropriated.

**FINDING NUMBER 2005-002
(Continued)**

In 2005, the Township was the beneficiary of \$89,151 of Ohio Public Work Commission (OPWC) money sent directly to the vendor by OPWC. This activity was not recorded on the ledgers of the Township. Since OPWC paid the invoices, the Township did not receive this cash. However, Auditor of State Bulletin 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements when the Township applies for a project and has administrative responsibilities. The accompanying financial statements and budgetary activity were adjusted to reflect these amounts in a Capital Project Fund. These funds along with all other disbursements in the Capital Projects funds were not appropriated causing expenditures to exceed appropriations in the Capital Projects fund by \$89,151, contrary to R.C. 5705.41(B).

We recommend the Township record all benefits received from state or federal grants as a memo receipt and expenditure on the Township's records and appropriate funds for the expenditures. In addition, Township management should review Auditor of State Bulletins 2000-008 and 2002-004.

Officials Response:

The Township's management did not respond to this finding.



Mary Taylor, CPA
Auditor of State

GERMAN TOWNSHIP

FULTON 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 6, 2008**