



Mary Taylor, CPA
Auditor of State

**GERMAN TOWNSHIP
HARRISON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

German Township
Harrison County
90670 Mill Road
Jewett, Ohio 43986

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, Harrison 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 Section 117.101 requires the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2.C, the accompanying financial statements and notes follow the cash accounting basis 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information, of German Township, Harrison County, Ohio, as of December 31, 2005, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Gas Tax Fund, and the Road and Bridge Fund for the year then ended in conformity with the basis of accounting Note 2.C describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2007, 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 accounting principles generally accepted in the United States of America 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.

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

Mary Taylor, CPA
Auditor of State

August 27, 2007

**German Township
Harrison County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)**

This discussion and analysis of German Township's 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 \$5,735 or 9.84 percent from the prior year. The fund most affected by the decrease in cash and cash equivalents were the Gasoline Tax Fund and the Road and Bridge Fund which realized the greatest burden of increased costs in 2005. However it should be noted, that the sale of used machinery and the down payment on the sale of real property offset the decrease.

The Township's general receipts are primarily property taxes. These receipts represent 35.1 percent of the total cash received for governmental activities during the year. Property tax and intergovernmental receipts for 2005 have increased compared to 2004, but the sale of used machinery and the down payment on the sale of real property make up the balance of the difference.

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.

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.

**German Township
Harrison County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)**

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 non-financial factors, as well, such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, 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 Township has one type of activity:

Governmental activities: All of the Township's basic services are reported here, including fire protection, road maintenance and repair, street lights and cemetery. State and local 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 all governmental.

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 non-major 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 Fund, Gas Tax Fund, and Road and Bridge Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**German Township
Harrison County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$52,566	\$58,301
Total Assets	\$52,566	\$58,301
Net Assets		
Restricted for:		
Debt Service	\$2,444	
Permanent Fund	627	\$608
Other Purposes	17,042	25,314
Unrestricted	32,453	32,379
Total Net Assets	\$52,566	\$58,301

As mentioned previously, net assets of governmental activities decreased \$5,735 or 9.84 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- Local property tax receipts, over the past several years, have increased. Growth in new construction, due to a slowing economy has not greatly increased.
- Increased salaries for employees due to the hiring of an additional part-time employee. Elected officials and employee raises also contributed to increased costs.
- Township roads are assessed each year for needed repairs. Most roads were scheduled for extensive repair to protect the investment already spent on the roads. The township spent approximately \$30,000 more in 2005 than in 2004 for maintenance and repair of township roads.

Table 2 reflects the changes in net assets for 2005 compared to 2004.

**German Township
Harrison County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)**

Changes in Net Assets

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$3,715	\$1,587
Operating Grants and Contributions	86,498	80,031
Total Program Receipts	<u>90,213</u>	<u>81,618</u>
General Receipts:		
Property and Other Local Taxes	62,039	55,611
Sale of Notes		30,300
Sale of Fixed Assets	13,350	
Grants and Entitlements Not Restricted to Specific Programs	9,417	9,417
Interest	1,060	456
Miscellaneous	639	4,695
Total General Receipts	<u>86,505</u>	<u>100,479</u>
Total Receipts	<u>176,718</u>	<u>182,097</u>
Disbursements:		
General Government	26,062	24,820
Public Safety	3,475	9,196
Public Works	131,313	91,070
Health	13,940	7,178
Capital Outlay	827	42,243
Principal Retirement	5,487	17,070
Interest and Fiscal Charges	1,349	300
Total Disbursements	<u>182,453</u>	<u>191,877</u>
Increase (Decrease) in Net Assets	(5,735)	(9,780)
Net Assets, January 1, 2005	<u>58,301</u>	<u>68,081</u>
Net Assets, December 31, 2005	<u>\$52,566</u>	<u>\$58,301</u>

Program receipts represent 51 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license tax, gasoline tax and road and bridge funds.

General receipts represent 49 percent of the Township's total receipts, and of this amount 71.7 percent are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (10.8 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources. This year's unpredictable revenue, the sale of fixed assets resulted in \$13,350 or 15.4 percent of general receipts.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Fiscal Officer's salary and some of the Trustees salary, as well as building upkeep and maintenance and any transfers to funds required due to insufficient resources to carry out the township programs.

**German Township
Harrison County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)**

Public Safety and Health combined require less than 10 percent of the total expense. These costs include fire protection and payments for the health department assessment as well as other miscellaneous costs.

Governmental Activities

If you look at the Statement of Activities on this page 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 transportation (Public Works), which account for \$131,313 or 71.9 percent of all governmental disbursements. General Government only represents 14.3 percent.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
	2005	2005
General Government	\$26,062	\$26,062
Public Safety	3,475	460
Public Health Services	13,940	13,240
Public Works	131,313	44,814
Capital Outlay	827	827
Principal Retirement	5,488	5,488
Interest and Fiscal Charges	1,349	1,349
Total Expenses	\$182,454	\$92,240

The dependence upon property and intergovernmental receipts is apparent as over 50 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$163,369 and disbursements of \$182,454. The greatest change within governmental funds occurred within the Gasoline Tax Fund in which increased by over \$6,700. However, the Gasoline Tax Fund also had increased expenses for road maintenance and repairs. The Road and Bridge Fund experienced increased expenses for road maintenance and repair.

General Fund receipts exceeded disbursements by \$1,724. The Gasoline Tax Fund and the Road and Bridge Fund were both in a deficit spending situation, \$8,784 and \$7,270 respectively. As previously mentioned both funds had increased expenses for road maintenance and repair. The sale of used machinery and the down payment on the sale of real property along with the transfer of funds from the General Fund to the Gasoline Tax Fund and the Road and Bridge Fund greatly improved the above statistics.

General Fund Budgeting Highlights

The Township's budget is the financial plan for the year. It is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. Although it is based on estimates, these estimates are based on actual revenue and expenditure history of previous years. The most significant budgeted fund is the General Fund.

**German Township
Harrison County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)**

Final disbursements were budgeted at \$35,150 while actual disbursements were \$27,244. Although, actual receipts were higher than originally anticipated appropriations were increased. The Township kept spending close to budgeted amounts as demonstrated by the minor reported variances. The result is almost no change in the fund balance for 2005. Proceeds from the sale of used machinery and the down payment on real property helped keep the fund balance in tact.

During 2005, the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were \$4,453 over the original budgeted receipts due to underestimating property tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure, other than an annual inventory valuation of assets.

Debt

The township purchased a used tractor-mower from Southern Equipment and entered into a general obligation note for \$ 30,300 in December of 2004. The note payments began in January 2005 with a total of \$6,837 paid this year.

The future lease payments are as follows:

<u>YEAR</u>	<u>AMOUNT</u>
2006	\$6,837
2007	6,837
2008	6,837
2009	6,837

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 and have very little growth to support the tax base. The Township will continue to provide road maintenance and repair as permitted by our limited resources.

The Township Road 2 mill levy is set to expire in 2006. This 2 mill levy for road maintenance will be renewed in 2006.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors 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 Carole D. Miller, Fiscal Officer, German Township, 90670 Mill Road, Jewett, OH 43986.

German Township, Harrison County
Statement of Net Assets - Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$52,567</u>
<i>Total Assets</i>	<u><u>\$52,567</u></u>
Net Assets	
Restricted for:	
Debt Service	\$2,444
Permanent Fund Bequest	627
Other Purposes	17,041
Unrestricted	<u>32,455</u>
<i>Total Net Assets</i>	<u><u>\$52,567</u></u>

See accompanying notes to the basic financial statements

German Township, Harrison County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Gasoline Tax Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$32,454	\$3,447	\$4,292	\$12,374	\$52,567
<i>Total Assets</i>	<u>\$32,454</u>	<u>\$3,447</u>	<u>\$4,292</u>	<u>\$12,374</u>	<u>\$52,567</u>
Fund Balances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	32,454				32,454
Special Revenue Funds		3,447	4,292	9,303	17,042
Debt Service Fund				2,444	2,444
Capital Projects Funds					0
Permanent Fund				627	627
<i>Total Fund Balances</i>	<u>\$32,454</u>	<u>\$3,447</u>	<u>\$4,292</u>	<u>\$12,374</u>	<u>\$52,567</u>

See accompanying notes to the basic financial statements

German Township, Harrison 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 Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$15,576		\$17,805	\$20,116	\$53,497
Licenses, Permits and Fees				2,100	2,100
Intergovernmental	11,713	\$73,969	4,283	14,493	104,458
Special Assessments				915	915
Interest	1,041			19	1,060
Other	639			700	1,339
<i>Total Receipts</i>	<u>28,969</u>	<u>73,969</u>	<u>22,088</u>	<u>38,343</u>	<u>163,369</u>
Disbursements					
Current:					
General Government	26,062				26,062
Public Safety				3,475	3,475
Public Works		82,753	29,358	19,201	131,312
Health	830			13,110	13,940
Capital Outlay	352			475	827
Debt Service:					
Principal Retirement				5,488	5,488
Interest and Fiscal Charges				1,349	1,349
<i>Total Disbursements</i>	<u>27,244</u>	<u>82,753</u>	<u>29,358</u>	<u>43,098</u>	<u>182,453</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,725</u>	<u>(8,784)</u>	<u>(7,270)</u>	<u>(4,755)</u>	<u>(19,084)</u>
Other Financing Sources (Uses)					
Sale of Fixed Assets	13,350				13,350
Transfers In		5,000	6,020	3,980	15,000
Transfers Out	(15,000)				(15,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,650)</u>	<u>5,000</u>	<u>6,020</u>	<u>3,980</u>	<u>13,350</u>
<i>Net Change in Fund Balances</i>	75	(3,784)	(1,250)	(775)	(5,734)
<i>Fund Balances Beginning of Year</i>	<u>32,379</u>	<u>7,231</u>	<u>5,542</u>	<u>13,148</u>	<u>58,300</u>
<i>Fund Balances End of Year</i>	<u>\$32,454</u>	<u>\$3,447</u>	<u>\$4,292</u>	<u>\$12,373</u>	<u>\$52,566</u>

See accompanying notes to the basic financial statements

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

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$12,015	\$15,576	\$15,576	\$0
Intergovernmental	11,000	11,713	11,713	0
Earnings on Investments	400	1,041	1,041	0
Miscellaneous	1,100	639	639	0
<i>Total receipts</i>	<u>24,515</u>	<u>28,969</u>	<u>28,969</u>	<u>0</u>
Disbursements				
Current:				
General Government	27,750	33,968	26,062	7,906
Public Works	1,000			
Health	750	830	830	0
Capital Outlay	500	352	352	0
<i>Total Disbursements</i>	<u>30,000</u>	<u>35,150</u>	<u>27,244</u>	<u>7,906</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,485)</u>	<u>(6,181)</u>	<u>1,725</u>	<u>(7,906)</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	0	13,350	13,350	0
Transfers Out	(30,000)	(30,000)	(15,000)	(15,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(30,000)</u>	<u>(16,650)</u>	<u>(1,650)</u>	<u>(15,000)</u>
<i>Net Change in Fund Balance</i>	<u>(35,485)</u>	<u>(22,831)</u>	<u>75</u>	<u>(22,906)</u>
<i>Fund Balance Beginning of Year</i>	32,379	32,379	32,379	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>(\$3,106)</u>	<u>\$9,548</u>	<u>\$32,454</u>	<u>(\$22,906)</u>

See accompanying notes to the basic financial statements

GERMAN TOWNSHIP, HARRISON COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gas Tax Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$53,030	\$73,969	\$73,969	\$0
<i>Total receipts</i>	<u>53,030</u>	<u>73,969</u>	<u>73,969</u>	<u>0</u>
Disbursements				
Current:				
Public Works	60,000	80,053	82,753	(2,700)
<i>Total Disbursements</i>	<u>60,000</u>	<u>80,053</u>	<u>82,753</u>	<u>(2,700)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,970)</u>	<u>(6,084)</u>	<u>(8,784)</u>	<u>2,700</u>
Other Financing Sources (Uses)				
Transfers In	0	5,000	5,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>5,000</u>	<u>5,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(6,970)	(1,084)	(3,784)	2,700
<i>Fund Balance Beginning of Year</i>	7,231	7,231	7,231	0
Prior Year Encumbrances Appropriated	53	53	53	0
<i>Fund Balance End of Year</i>	<u>\$261</u>	<u>\$6,200</u>	<u>\$3,500</u>	<u>\$2,700</u>

See accompanying notes to the basic financial statements

GERMAN TOWNSHIP, HARRISON 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

<u>Budgeted Amounts</u>				(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$24,552	\$17,805	\$17,805	\$0
Intergovernmental	2,998	4,283	4,283	0
<i>Total receipts</i>	<u>27,550</u>	<u>22,088</u>	<u>22,088</u>	<u>0</u>
Disbursements				
Current:				
Public Works	23,200	24,700	29,358	(4,658)
<i>Total Disbursements</i>	<u>23,200</u>	<u>24,700</u>	<u>29,358</u>	<u>(4,658)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,350</u>	<u>(2,612)</u>	<u>(7,270)</u>	<u>4,658</u>
Other Financing Sources (Uses)				
Transfers In	0	6,020	6,020	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>6,020</u>	<u>6,020</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	4,350	3,408	(1,250)	4,658
<i>Fund Balance Beginning of Year</i>	5,542	5,542	5,542	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$9,892</u>	<u>\$8,950</u>	<u>\$4,292</u>	<u>\$4,658</u>

See accompanying notes to the basic financial statements

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**German Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2005**

Note 1 – Reporting Entity

German Township, in Harrison County, Ohio, is a body politic and corporate established in 1804 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 and a Fiscal Officer whose terms are for four years.

The reporting entity is comprised of the primary government.

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, cemetery maintenance and fire protection. The Township contracts with four volunteer fire departments for fire protection as follows: East Springfield Volunteer Fire Department, Hopedale Volunteer Fire Department, Jewett Volunteer Fire Department and Unionport Volunteer Fire Department. Police protection is provided by the Harrison County Sheriff's Department.

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 has no component units.

The financial statements exclude the following entities which perform activities within the Township's boundaries for the benefit of its residents because the Township is not financially accountable for these entities nor are they fiscally dependent on the Township: Germano Water and Sewer District operates in parts of German and Rumley Townships providing water services to customers. The German Township Trustees appoint the members of the Germano Water and Sewer District Board. These appointments are selected from individuals living in the Water and Sewer District. The affiliation stops there.

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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

**German Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2005**

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. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township has no business – type activities.

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 and business-type 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 modified 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 fund 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's major governmental funds are General Fund, Gasoline Tax Fund and Road and Bridge 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. The Gasoline Tax Fund and the Road and Bridge Fund, as required by the Ohio Revised Code, are used to provide maintenance of roads within the Township.

**German Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2005**

Note 2 – Summary of Significant Accounting Policies – (Continued)

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 modified 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 expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency 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 ordinance, 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 ordinance 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 certificated of estimated resources in effect at the time final appropriations were passed by the Township.

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".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. 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 negative receipts (contra revenue), respectively.

**German Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2005**

Note 2 – Summary of Significant Accounting Policies- (Continued)

During 2005, the Township invested in STAR Ohio.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

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 were \$1,041.

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 represent \$ 627.00 Harmon-Vensel Bequest Account.

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. Inter-fund 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. The Township had no advances-in and no advances-out for 2005.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's modified cash basis of accounting. The Township has part-time employees, as such; they do not accrue any leave benefits.

K. 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 8 and 9, the employer contributions include portions for pension benefits.

L. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for long-term obligations. 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.

**German Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2005**

Note 2 – Summary of Significant Accounting Policies- (Continued)

M. 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. 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.

Note 3 – 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 Fund, Gasoline Tax Fund and Road and Bridge Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis)). The encumbrances and advances outstanding at year end (budgetary basis) amounted to \$-0- for the General Fund, Gas Tax Fund and Road and Bridge Fund.

Note 4 – 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;

**German Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2005**

Note 4 – Deposits and Investments

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;
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

At year end the \$ 19, 944 deposited in Citizens Bank was protected by the FDIC by collateral pledged to the Township by the financial institution.

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.

Investments

As of December 31, 2005, the Township had the following investments:

	Carrying Value	Maturity
STAR Ohio	\$32,622	1 day
Total Portfolio	\$32,622	

Note 5 – 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.

**German Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2005**

Note 5 – Property Taxes - (Continued)

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, 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.

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 full tax rate for all Township operations for the year ended December 31, 2005, was \$ 6.95 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$ 3,059,250
Agriculture	3,834,140
Commercial/Industrial/Mineral	268,480
Public Utility Property	
Real	53,300
Personal	1,550,040
Tangible Personal Property	29,270
Total Assessed Value	\$ 8,794,480

Note 6 – Risk Management

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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 coverages, 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 issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

**German Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2005**

Note 6 – Risk Management

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	2005	2004
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

Note 7 - Defined Benefit Pension Plan

A. 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, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional plan for the years ended December 31, 2005, 2004, and 2003 were \$7,874, \$6,714, and \$6,969 respectively. The full amount has been contributed for 2005, 2004 and 2003.

**German Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2005**

Note 8 – Post-employment Benefits

A. 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 (16.7 percent for public safety and law enforcement); 4.00 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, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 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 1.00 and 6.00 percent annually for the next eight years and 4.00 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 369,885. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2008. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 9 – Debt

The Township's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
<u>Governmental Activities</u>					
2004 Note – Tractor	4.85%	<u>\$30,300</u>	<u>\$0</u>	<u>\$5,488</u>	<u>\$24,812</u>

The general obligation note is collateralized by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

**German Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2005**

Note 9 – Debt – (Continued)

The following is a summary of the Township's future annual debt service requirements:

Year	General Obligation Notes <u>Amount</u>
2006	\$6,837
2007	6,837
2008	6,837
2009	6,837
Totals	<u>\$27,348</u>

Note 10 – Inter-fund Transfers

During 2005 the following transfers were made:

Transfers from the General Fund to:	
Major Governmental Fund	\$ 11,020
Other Government Funds	<u>3,980</u>
Total Transfer from the General Fund	<u>\$ 15,000</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 11 – Contractual Commitments

As described in Note 1, the Township contracts with four volunteer fire departments for fire protection. These four departments: East Springfield, Hopedale, Jewett and Unionport answer fire and emergency calls providing coverage to all township residents.

Note 12 – Related Organizations

As described in Note 1, the Trustees appoint members of the Germano Water and Sewer District Board. The Township has no other responsibility or liability in this independent Board.

Note 13 - Compliance

The Township did not properly certify or record the amount against the applicable appropriation accounts as required by Ohio Revised Code.



Mary Taylor, CPA

Auditor of State

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

German Township
Harrison County
90670 Mill Road
Jewett, Ohio 43986

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, Harrison County, Ohio (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 August 27, 2007, wherein we noted that 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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. Our consideration of the internal control 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated August 26, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 2005-001. In a separate letter to the Township's management dated August 27, 2007, we reported other matters related to noncompliance we deemed immaterial.

German Township
Harrison County
Independent Accountants' Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Required by Government Auditing Standards.
Page 2

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

August 27, 2007

**GERMAN TOWNSHIP
HARRISON 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

Noncompliance Citation/Significant Deficiency

Ohio Revised Code Section 5705.41(D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

1. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Township may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Township Board of Trustees if such expenditure is otherwise valid.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extent beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Township did not properly certify or record the amount against the applicable appropriation accounts for 18% of tested expenditures in 2005. The Township did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending in negative cash balances. Unless the exceptions noted above are used, certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

The Township Fiscal Officer should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

Officials' Response

We did not receive a response from Officials to this finding.



Mary Taylor, CPA
Auditor of State

GERMAN TOWNSHIP

HARRISON 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
FEBRUARY 7, 2008**