



Dave Yost • Auditor of State

VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY

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Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

December 12, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Germantown, Montgomery County, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Germantown, Montgomery County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

December 12, 2011

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:						
Property and Local Taxes	\$1,276,926	\$267,398		\$7,491		\$1,551,815
Payment in Lieu of Taxes				183,586		183,586
Intergovernmental	318,263	851,537		75,393		1,245,193
Special Assessments		90,596	\$297			90,893
Charges for Services				1,000		1,000
Fines, Licenses and Permits	50,853	44,606				95,459
Rent		2,125				2,125
Donations		221,599				221,599
Earnings on Investments	43,816	1,948		374	\$67	46,205
Miscellaneous	8,976	15,408				24,384
Total Cash Receipts	<u>1,698,834</u>	<u>1,495,217</u>	<u>297</u>	<u>267,844</u>	<u>67</u>	<u>3,462,259</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	779,839	579,765				1,359,604
Public Health Services	395	176,562				176,957
Community Environment	34,568					34,568
Transportation		226,065		129,196		355,261
General Government	592,128	99,965		50	1,900	694,043
Capital Outlay	4,112	33,459				37,571
Debt Service:						
Redemption of Principal	741,116	15,000	10,000	125,000		891,116
Interest and Fiscal Charges	50,186	2,888	1,970	66,028		121,072
Total Cash Disbursements	<u>2,202,344</u>	<u>1,133,704</u>	<u>11,970</u>	<u>320,274</u>	<u>1,900</u>	<u>3,670,192</u>
Total Receipts Over/(Under) Disbursements	<u>(503,510)</u>	<u>361,513</u>	<u>(11,673)</u>	<u>(52,430)</u>	<u>(1,833)</u>	<u>(207,933)</u>
Other Financing Receipts / (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes	636,321					636,321
Transfers-In			11,680			11,680
Transfers-Out	(41,680)					(41,680)
Advances-In	62,600	10,000				72,600
Advances-Out	(20,000)	(12,600)				(32,600)
Total Other Financing Receipts / (Disbursements)	<u>637,241</u>	<u>(2,600)</u>	<u>11,680</u>			<u>646,321</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>133,731</u>	<u>358,913</u>	<u>7</u>	<u>(52,430)</u>	<u>(1,833)</u>	<u>438,388</u>
Fund Cash Balances, January 1	<u>711,655</u>	<u>447,391</u>	<u>1</u>	<u>97,548</u>	<u>17,340</u>	<u>1,273,935</u>
Fund Cash Balances, December 31	<u>\$845,386</u>	<u>\$806,304</u>	<u>\$8</u>	<u>\$45,118</u>	<u>\$15,507</u>	<u>\$1,712,323</u>
Reserve for Encumbrances, December 31	<u>\$16,057</u>	<u>\$22,349</u>				<u>\$38,406</u>

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

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,851,617
Miscellaneous	113,081
Total Operating Cash Receipts	1,964,698
Operating Cash Disbursements:	
Personal Services	303,014
Contractual Services	1,235,411
Supplies and Materials	82,164
Maintenance	17,279
Total Operating Cash Disbursements	1,637,868
Operating Income/(Loss)	326,830
Non-Operating Cash Receipts:	
Intergovernmental	97,601
Earnings on Investments	3,027
Sale of Notes	1,352,544
Total Non-Operating Cash Receipts	1,453,172
Non-Operating Cash Disbursements:	
Capital Outlay	1,442,612
Redemption of Principal	180,952
Interest and Other Fiscal Charges	93,346
Total Non-Operating Cash Disbursements	1,716,910
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	63,092
Transfers-In	43,500
Transfers-Out	(13,500)
Advances-In	10,000
Advances-Out	(50,000)
Net Receipts Over/(Under) Disbursements	53,092
Fund Cash Balances, January 1	1,004,978
Fund Cash Balances, December 31	\$1,058,070
Reserve for Encumbrances, December 31	\$1,639

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

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:						
Property and Local Taxes	\$1,342,441	\$267,355		\$7,537		\$1,617,333
Intergovernmental	242,713	908,130		78,945		1,229,788
Payment in Lieu of Taxes				162,791		162,791
Special Assessments		91,613	\$295			91,908
Charges for Services				4,000		4,000
Fines, Licenses and Permits	57,542	13,274				70,816
Rent		2,200				2,200
Donations		195,261				195,261
Earnings on Investments	44,596	2,565		391	\$47	47,599
Miscellaneous	18,141	41,244				59,385
Total Cash Receipts	<u>1,705,433</u>	<u>1,521,642</u>	<u>295</u>	<u>253,664</u>	<u>47</u>	<u>3,481,081</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	759,636	624,188				1,383,824
Public Health Services		191,722				191,722
Community Environment	50,906					50,906
Transportation		293,944		36,704		330,648
General Government	473,021	115,941		171		589,133
Capital Outlay	248	145,912				146,160
Debt Service:						
Redemption of Principal	777,710	10,000	5,000	103,406		896,116
Interest and Fiscal Charges	54,969	3,708	2,447	70,228		131,352
Total Cash Disbursements	<u>2,116,490</u>	<u>1,385,415</u>	<u>7,447</u>	<u>210,509</u>		<u>3,719,861</u>
Total Receipts Over/(Under) Disbursements	<u>(411,057)</u>	<u>136,227</u>	<u>(7,152)</u>	<u>43,155</u>	<u>47</u>	<u>(238,780)</u>
Other Financing Receipts / (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes	676,505					676,505
Transfers-In			7,779			7,779
Transfers-Out	(49,166)					(49,166)
Advances-In	72,230	32,600				104,830
Advances-Out	(123,200)	(20,000)	(630)			(143,830)
Total Other Financing Receipts / (Disbursements)	<u>576,369</u>	<u>12,600</u>	<u>7,149</u>			<u>596,118</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	165,312	148,827	(3)	43,155	47	357,338
Fund Cash Balances, January 1 (Restated)	<u>546,343</u>	<u>298,564</u>	<u>4</u>	<u>54,393</u>	<u>17,293</u>	<u>916,597</u>
Fund Cash Balances, December 31	<u>\$711,655</u>	<u>\$447,391</u>	<u>\$1</u>	<u>\$97,548</u>	<u>\$17,340</u>	<u>\$1,273,935</u>
Reserve for Encumbrances, December 31	<u>\$1,409</u>	<u>\$479</u>				<u>\$1,888</u>

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

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,817,516
Miscellaneous	16,231
Total Operating Cash Receipts	1,833,747
Operating Cash Disbursements:	
Personal Services	298,914
Contractual Services	1,178,631
Supplies and Materials	99,510
Maintenance	18,255
Total Operating Cash Disbursements	1,595,310
Operating Income/(Loss)	238,437
Non-Operating Cash Receipts:	
Intergovernmental	144,321
Earnings on Investments	3,350
Total Non-Operating Cash Receipts	147,671
Non-Operating Cash Disbursements:	
Capital Outlay	135,910
Redemption of Principal	168,828
Interest and Other Fiscal Charges	100,671
Total Non-Operating Cash Disbursements	405,409
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(19,301)
Transfers-In	93,837
Transfers-Out	(52,450)
Advances-In	90,600
Advances-Out	(51,600)
Net Receipts Over/(Under) Disbursements	61,086
Fund Cash Balances, January 1 (Restated)	943,892
Fund Cash Balances, December 31	\$1,004,978
Reserve for Encumbrances, December 31	\$107,141

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

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Germantown, Montgomery County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Pursuant to the provisions of Article XVIII of the Constitution of Ohio, the voters of the Village adopted a charter for the government of the Village in 1976. The form of government provided in the charter is known as the Mayor-Council-Manager. Council is made up of seven members elected by the qualified voters of the Village at large; six are council members elected and one is separately elected Mayor. Council appoints a Village Manager who is responsible to Council for the administration of all Village affairs. The Village provides water and sewer utilities, refuse services, park operations, pool operations, police, fire and emergency medical services.

The Village participates in a public entity risk pool. Note 9 to the financial statements provide additional information for this entity.

Public Entity Risk Pool:

The Public Entities Pool of Ohio (PEP) provides property and casualty coverage for its members.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Certificates of Deposit and U.S. Government Security Notes are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values in the mutual funds report.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Senior Citizens Center Fund – This fund receives levied tax money from for the operation of a community Senior Citizens Center.

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

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

Fire Services Fund – This fund receives levied tax money to provide fire protection services to Village and Township residents.

Emergency Medical Services Fund – This fund receives donations from Germantown Rescue Squad, Inc. to provide emergency medical protection services to Village residents

3. Debt Service Funds

This fund accounts for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

Warren Street Reconstruction Fund – This fund receives transfers from the General Fund for annual debt payments on bond anticipation notes.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Street Capital Improvements Fund – This fund receives levied tax money to provide for maintenance and improvement of streets.

Hickory Point TIF District – This fund receives payment in lieu of property tax revenues from Associate Construction, Inc. for annual debt payments on public infrastructure improvement bonds.

5. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

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

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Refuse Fund - This fund receives charges for services from residents to cover refuse service costs.

Swimming Pool Fund - This fund receives charges for services from residents and intergovernmental revenues to cover costs for operating the Village pool.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the department level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2010 and 2009 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2010	2009
Demand deposits	\$ 416,813	\$ 172,386
Certificates of deposit	1,554,000	1,502,000
Other time deposits (savings accounts)	739,156	226,830
Total deposits	2,709,969	1,901,216
U.S. Government Securities		25,688
STAR Ohio		306,544
Money Fund	60,424	45,465
Total investments	60,424	377,697
Total deposits and investments	\$2,770,393	\$2,278,913

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

Investments: The Federal Reserve holds the Village's U.S. Government Securities in book-entry form by, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. RESTATEMENT OF FUND BALANCE

The restatement of the December 31, 2009 fund balances was required between the Capital Project and Enterprise Fund types due to in an error in the classification of funds in the prior audit. The reclassification had the following effect on the fund balances as previously reported by the Village:

	General	Special Revenue	Debt Service	Capital Project	Permanent	Enterprise
Fund Balance at December 31, 2009	\$546,343	\$298,564	\$4	\$59,668	\$17,293	\$938,617
Change in Fund Classification				(5,275)		5,275
Adjusted Fund Balance at December 31, 2009	\$546,343	\$298,564	\$4	\$54,393	\$17,293	\$943,892

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,303,789	\$2,335,155	\$31,366
Special Revenue	1,385,521	1,495,217	109,696
Debt Service	11,970	11,977	7
Capital Projects	272,328	267,844	(4,484)
Enterprise	3,565,255	3,461,370	(103,885)
Permanent	50	67	17
Total	<u>\$7,538,913</u>	<u>\$7,571,630</u>	<u>\$32,717</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,269,012	\$2,260,081	\$ 8,931
Special Revenue	1,419,235	1,156,053	263,182
Debt Service	11,970	11,970	
Capital Projects	337,174	320,274	16,900
Enterprise	3,727,750	3,369,917	357,833
Permanent		1,900	(1,900)
Total	<u>\$7,765,141</u>	<u>\$7,120,195</u>	<u>\$644,946</u>

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,357,419	\$2,381,938	\$24,519
Special Revenue	1,528,205	1,521,642	(6,563)
Debt Service	8,074	8,074	
Capital Projects	249,882	253,664	3,782
Enterprise	2,089,804	2,075,255	(14,549)
Permanent	45	47	2
Total	<u>\$6,233,429</u>	<u>\$6,240,620</u>	<u>\$ 7,191</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,316,669	\$2,167,065	\$149,604
Special Revenue	1,623,444	1,385,894	237,550
Debt Service	7,448	7,447	1
Capital Projects	210,568	210,509	59
Enterprise	2,229,738	2,160,310	69,428
Permanent			
Total	<u>\$6,387,867</u>	<u>\$5,931,225</u>	<u>\$456,642</u>

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

6. LOCAL INCOME TAX

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

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

7. DEBT

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Municipal Building Bonds, Series 2007A	\$ 650,000	4.125% - 4.25%
Ohio Public Works Commission Project #CT08D	80,322	0.01%
Ohio Public Works Commission Project #CT08F	101,106	0.01%
Ohio Public Works Commission Project #CD08J	47,684	0.00%
Ohio Public Works Commission Project #CD02J	30,945	0.00%
Ohio Public Works Commission Project #CD04J	51,756	0.00%
Ohio Public Works Commission Project #CD06J	59,994	0.00%
Ohio Public Works Commission Project #CD02L	65,461	0.00%
Ohio Public Works Commission Project #CD14L	1,352,544	0.00%
General Obligation Bonds	20,000	5.69%
General Obligation Notes	2,148,250	1.75% - 5.54%
Mortgage Revenue Bonds	782,000	5.00%
Sanitary Sewer Bonds, Series, 2007A	35,000	4.125% - 4.25%
Northeast Waterline Bonds, Series 2007A	40,000	4.125% - 4.25%
Advance Refunding Bonds, Series 2007A	850,000	4.0% - 4.25%
Sanitary Sewer System Improvement Bonds	30,000	3.5% - 4.0%
Total	<u>\$6,345,062</u>	

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

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. DEBT (Continued)

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

Outstanding OPWC noted (Project #CT08F) consist of a loan to fund the Water Booster Station Improvements. The debt will be repaid from revenues of the Village's water system.

Outstanding OPWC noted (Project #CD08J) consist of a loan to fund the East Market Street Hill Phase I Project. The debt will be repaid from revenues of the Village's general fund.

Outstanding OPWC notes (Project #CD02J) consist of a loan to fund the North Walnut Street Reconstruction Project. The debt will be repaid from revenues of the Village's general fund.

Outstanding OPWC notes (Project #CD04J) consist of a loan to fund the Cherry Street Phase I Project. The debt will be repaid from revenues of the Village's general fund.

Outstanding OPWC notes (Project #CD06J) consist of a loan to fund the Cherry Street Phase II Project. The debt will be repaid from revenues of the Village's general fund.

Outstanding OPWC notes (Project #CD02L) consist of a loan to fund the Dayton Pike Resurfacing Project. The debt will be repaid from revenues of the Village's general fund.

Outstanding OPWC notes (Project #CD14L) consist of a loan to fund the Dayton Pike Water Storage Tank Project. The remaining proceeds of the loan will be received in 2011 and the debt will be repaid from revenues of the Village's general fund.

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

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

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

In November 2007, the outstanding Sanitary Sewer Improvement Bonds were partially refunded. The remaining Bonds and the 2007 Advance Refunding Bonds are for the improvement of the sewer system for the Village. Property and revenue of the Village's sewer system has been pledged to repay this debt.

In November 2007, an outstanding Sewer System Improvement BAN was replaced with a Sanitary Sewer Improvement Bond. The Sanitary Sewer Improvement Bond is for the improvement of the sewer system for the Village. Property and revenue of the Village's sewer system has been pledged to repay this debt.

In November 2007, an outstanding Water System Improvement BAN was replaced with the Northeast Waterline Improvement Bond. The Northeast Waterline Improvement Bond is for the improvement of the water system for the Village. Property and revenue of the Village's water system has been pledged to repay this debt.

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. DEBT (Continued)

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

	Municipal Building Bonds	Dry Run Sewer Bonds	NE Waterline Connector Bonds	General Obligation Bonds	General Obligation Notes	Mortgage Revenue Bonds	Sanitary Sewer Improvement Bond
2011	\$ 52,469	\$31,200	\$21,700	\$ 6,220	\$ 973,505	\$ 88,100	\$ 40,913
2012	56,406		20,850	5,915	289,607	88,650	75,700
2013	55,131			5,610	314,345	88,050	74,000
2014	53,931			5,305	281,820	88,350	77,400
2015	52,694				295,673	88,500	70,544
2016-2020	277,181				298,252	441,300	369,681
2021-2025	270,362					176,400	363,425
2026-2030	106,375						148,925
Total	<u>\$924,549</u>	<u>\$31,200</u>	<u>\$42,550</u>	<u>\$23,050</u>	<u>\$2,453,202</u>	<u>\$1,059,350</u>	<u>\$1,220,588</u>

	Sewer System Improvement Bond	OPWC #CD02J	OPWC #CT08F	OPWC #CT08D	OPWC #CD04J	OPWC #CD06J	OPWC #CD02L	OPWC #CD14L	OPWC #CD08J
2011	\$16,485	\$ 5,157	\$ 7,508	\$ 6,852	\$ 7,394	\$ 8,570	\$ 6,812	\$ 36,691	\$ 8,570
2012	20,850	5,157	7,508	6,852	7,394	8,570	6,812	73,381	8,570
2013		5,157	7,508	6,852	7,394	8,570	6,812	73,381	8,570
2014		5,157	7,508	6,852	7,394	8,570	6,812	73,381	8,570
2015		5,157	7,508	6,852	7,394	8,570	6,812	73,381	8,570
2016-2020		5,159	37,540	34,260	14,786	17,144	13,624	366,905	17,144
2021-2025			33,786	17,130				366,905	
2026-2030								366,905	
2031								36,698	
Total	<u>\$37,335</u>	<u>\$30,944</u>	<u>\$108,866</u>	<u>\$85,650</u>	<u>\$51,756</u>	<u>\$59,994</u>	<u>\$47,684</u>	<u>\$1,467,628</u>	<u>\$59,994</u>

8. RETIREMENT SYSTEMS

The Village's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). The Village's Police Officers belong to the Ohio Public Employees Retirement System – Law Enforcement (OPERS-LE). Other employees belong to the Ohio Public Employees Retirement System - Regular (OPERS-R). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages and the Village contributed an amount equal to 24% of full-time fire fighters' wages. For 2010 and 2009, OPERS-LE members contributed 11.10% and 10.10%, respectively, of their gross salaries and the Village contributed an amount equaling 17.87% and 17.63%, respectively, of participants' gross salaries. For 2010 and 2009, OPERS-R members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% and of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

9. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP'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, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	(14,320,812)	(15,256,862)
Net Assets	<u>\$20,631,198</u>	<u>\$21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Village's share of these unpaid claims collectible in future years is approximately \$60,000.

Based on discussions with PEP, the expected rates PEP 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 PEP for each year of membership.

VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

9. RISK MANAGEMENT (Continued)

Contributions of PEP	
2010	2009
<u>\$64,224</u>	<u>\$60,024</u>

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. 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.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Germantown, Montgomery County, (the Village) as of and for the years ended December 31, 2010 and 2009 and have issued our report thereon dated December 12, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audits 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 audits, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-002 as described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-001 in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village'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 matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 12, 2011.

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

December 12, 2011

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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1. Income Tax Filings

FINDING NUMBER 2010-001

NONCOMPLIANCE/SIGNIFICANT DEFICIENCY

Germantown Income tax Ordinance Section 181.05(a) states that each person 18 years of age or older who engages in business or other activity or whose income, salary, wage, commission or other compensation is subject to the tax imposed by this chapter, shall, whether or not a tax be due thereon, make and file a return on or before April 30 of the year following the effective date of this chapter, and on or before April 30 of each year thereafter.

We selected ten residents with utility accounts (Water, Sewer and Sanitation) to verify that required tax returns had been filed. There was no indication that two of these residents filed their tax returns for 2009 and one did not file for 2010. Further, the Village did not implement a procedure to verify that all qualifying residents filed an income tax pursuant to Ordinance Section 181.05(a)

The lack of verifying all residents filed an income tax return makes it impossible to determine completeness of the income tax revenues being received by the Village and increases the likelihood of material misstatements, omissions or fraud going undetected.

Procedures, such as comparing the income tax returns received to the utility customer listing or state income tax listing should be implemented to verify that all residents file returns by the April deadline.

2. Income Tax Revenues

FINDING NUMBER 2010-002

MATERIAL WEAKNESS

During our testing of controls over income tax revenues, we noted 5 instances in the 29 transactions tested where the amount received could not be verified to any type of supporting documentation such as a withholding report or quarterly return. During our substantive testing of these revenues, we had an additional instance in which the tax return could not be located to support the revenue receipted.

The lack of not having some type of documentation on file to support the revenues being collected could result in the errors or irregularities occurring that would not be detected during the normal course of business operations.

The Village should implement procedures where all income tax revenues have some type of corresponding documentation such as a withholding report, quarterly return, or actual return to substantiate the amount of revenues being received

Official's Response: The Village is currently in the process of correcting issues in regards to income tax filings.

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**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008/2007 -001	ORC 5705.41 (D): Certification of funds	No	Not Corrected, Reissued in Management Letter
2008/2007 -002	OAC 117-2-02A: Maintain Accounting System and Records – and timely bank reconciliations	No	Partially Corrected, Reissued in Management Letter as a recommendation
2008/2007 -003	ORC 733.28: Accurate statements of monies received	No	Partially Corrected, Reissued in Management Letter as recommendations
2008/2007 -004	ORC 149.351: Destruction of public records	Yes	
2008/2007 -005	Codified Ordinances Section 101.08: Insufficient funds charge	No	Not Corrected, Reissued in the Management Letter
2008/2007 -006	Codified Ordinance Section 135.18: Depositing of funds	Yes	
2008/2007 -007	Codified Ordinance Section 181.03/181.05: Collection of income tax	No	See Finding 2010-001
2008/2007 -008	Codified Ordinances Section 181.06(a)(1): Income Tax employer withholdings	No	Not Corrected, Reissued in Management Letter
2008/2007 -009	Codified Ordinances Section 919.08: Utility bill adjustments	Yes	
2008/2007 -010	ORC 5705.41 (B): Expenditures in excess of appropriations	No	Reissued in Management Letter
2008/2007 -011	Material Weakness – Segregation of Duties	Partially Corrected	Reissued in Management Letter
2008/2007 -012	Material Weakness – Utility System Posting	Yes	
2008/2007 -013	Material Weakness – Cashing Personal Checks	Yes	
2008/2007 -014	Material Weakness – Regional Income Tax Agency (RITA)	No	No longer valid
2008/2007 -015	Material Weakness – Income Tax Credits	No	See Finding 2010-002
2008/2007 -016	Material Weakness – Employer Annual Withholding Reconciliations	No	See Finding 2010-002

Village of Germantown
Montgomery County
Schedule of Prior Audit Findings
Page 2

2008/2007 -017	Significant Deficiency – Operational Policies and Procedures Manual	No	Reissued in Management Letter
2008/2007 -018	Significant Deficiency – Employee training on Utility, Income Tax, and Finance Accounting Software	Yes	
2008/2007 -019	Significant Deficiency – Deposit Slips	No	Reissued in Management Letter
2008/2007 -020	Significant Deficiency – Computer System	Yes	
2008/2007 -021	Significant Deficiency – Pool Receipts	No	Reissued in Management Letter
2008/2007 -022	Significant Deficiency – Voiding Manual Receipts	Yes	
2008/2007 -023	Significant Deficiency – Method of payment no noted in the system for utility payments received	Yes	
2008/2007 -024	Significant Deficiency – Tax Return Preparation by village employees	Yes	
2008/2007 -025	Significant Deficiency – use of Memo Expenditures	Yes	
2008/2007 -026	Significant Deficiency – Voiding Checks	Yes	



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VILLAGE OF GERMANTOWN

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 14, 2012