



Dave Yost • Auditor of State

GERMAN TOWNSHIP
HARRISON COUNTY

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Dave Yost • Auditor of State

German Township
Harrison County
90670 Mill Road
Jewett, Ohio 43986

To the Board of Trustees:

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 13, 2012

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Dave Yost • 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 German Township, Harrison County, (the Township) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of German Township, Harrison County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 German Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2012, 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.



Dave Yost
Auditor of State

June 13, 2012

GERMAN TOWNSHIP
HARRISON COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Permanent	
Cash Receipts					
Property and Other Local Taxes	\$12,476	\$57,561			\$70,037
Licenses, Permits and Fees	16,220	1,200			17,420
Intergovernmental	11,685	98,738			110,423
Special Assessments		1,186			1,186
Earnings on Investments	134				134
Miscellaneous	166	6,695			6,861
<i>Total Cash Receipts</i>	<u>40,681</u>	<u>165,380</u>			<u>206,061</u>
Cash Disbursements					
Current:					
General Government	31,602				31,602
Public Safety		16,000			16,000
Public Works		147,568			147,568
Health	971	11,495			12,466
Debt Service:					
Principal Retirement		6,439			6,439
Interest and Fiscal Charges		753			753
<i>Total Cash Disbursements</i>	<u>32,573</u>	<u>182,255</u>			<u>214,828</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>8,108</u>	<u>(16,875)</u>			<u>(8,767)</u>
Other Financing Receipts (Disbursements)					
Transfers In		1,000			1,000
Transfers Out	(1,000)				(1,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,000)</u>	<u>1,000</u>			
<i>Net Change in Fund Cash Balances</i>	7,108	(15,875)			(8,767)
<i>Fund Cash Balances, January 1</i>	<u>47,019</u>	<u>65,720</u>	<u>2,494</u>	<u>711</u>	<u>115,944</u>
Fund Cash Balances, December 31					
Restricted	0	49,845	2,494	711	53,050
Unassigned (Deficit)	54,127	0	0	0	54,127
<i>Fund Cash Balances, December 31</i>	<u>\$54,127</u>	<u>\$49,845</u>	<u>\$2,494</u>	<u>\$711</u>	<u>\$107,177</u>

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

GERMAN TOWNSHIP
HARRISON 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**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Permanent	
Cash Receipts:					
Property and Other Local Taxes	\$12,479	\$50,463			\$62,942
Licenses, Permits, and Fees		1,600			1,600
Intergovernmental	11,478	111,478			122,956
Special Assessments		947			947
Earnings on Investments	170				170
Miscellaneous	6,535	4,080			10,615
Total Cash Receipts	30,662	168,568			199,230
Cash Disbursements:					
Current:					
General Government	32,006				32,006
Public Safety		8,226			8,226
Public Works		137,438			137,438
Health	991	10,774			11,765
Human Services		2,016			2,016
Capital Outlay		6,500			6,500
Debt Service:					
Redemption of Principal		2,853			2,853
Interest and Other Fiscal Charges		270			270
Total Cash Disbursements	32,997	168,077			201,074
Total Receipts Over/(Under) Disbursements	(2,335)	491			(1,844)
Other Financing Receipts / (Disbursements):					
Other Debt Proceeds		15,000			15,000
Transfers-In		300			300
Transfers-Out	(300)				(300)
Total Other Financing Receipts / (Disbursements)	(300)	15,300			15,000
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(2,635)	15,791			13,156
Fund Cash Balances, January 1	49,654	49,929	\$2,494	\$711	102,788
Fund Cash Balances, December 31	\$47,019	\$65,720	\$2,494	\$711	\$115,944
Reserve for Encumbrances, December 31		\$1,350			\$1,350

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

**GERMAN TOWNSHIP
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of German Township, Harrison County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection services. The Township contracts with the Hopedale, Jewett, and Unionport Volunteer Fire Departments to provide fire services.

The Township participates in Ohio Plan Risk Management Inc. (OPRM) public entity risk pool. Notes 7 to the financial statements provides additional information for this entity. This organization is:

The Ohio Plan Risk Management Inc. (OPRM) is a risk-sharing pool that provides property and casualty coverage for its members.

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report. The Township invests in STAR Ohio

D. Fund Accounting

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

1. General Fund

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

**GERMAN TOWNSHIP
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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 Township had the following significant Special Revenue Funds:

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Funds.

Debt Retirement Fund - This fund was used to pay principal and interest on a Township debt agreement. Debt has been fully paid. However, a fund balance remains in is this fund.

4. 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 Township's programs. The Township had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees 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.

**GERMAN TOWNSHIP
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011 fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**GERMAN TOWNSHIP
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. 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.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Township 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:

	<u>2011</u>	<u>2010</u>
Demand deposits	\$70,074	\$78,862
Total deposits	<u>70,074</u>	<u>78,862</u>
STAR Ohio	37,103	37,082
Total investments	<u>37,103</u>	<u>37,082</u>
Total deposits and investments	<u>\$107,177</u>	<u>\$115,944</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments:

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

**GERMAN TOWNSHIP
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,462	\$40,681	\$16,219
Special Revenue	166,629	166,380	(249)
Debt Service	0	0	0
Permanent	0	0	0
Total	<u>\$191,091</u>	<u>\$207,061</u>	<u>\$15,970</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$51,000	\$33,573	\$17,427
Special Revenue	203,540	182,255	21,285
Debt Service	0	0	0
Permanent	200	0	200
Total	<u>\$254,740</u>	<u>\$215,828</u>	<u>\$38,912</u>

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$29,369	\$30,662	\$1,293
Special Revenue	181,487	183,868	2,381
Debt Service	0	0	0
Permanent	10	0	(10)
Total	<u>\$210,866</u>	<u>\$214,530</u>	<u>\$3,664</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,108	\$33,297	\$9,811
Special Revenue	177,893	169,427	8,466
Debt Service	0	0	0
Permanent	210	0	210
Total	<u>\$221,211</u>	<u>\$202,724</u>	<u>\$18,487</u>

Contrary to Ohio law, Ohio Revised Code 5705.41 (D), in 2011 13% and in 2010 12% of Township expenditures were not certified.

**GERMAN TOWNSHIP
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Truck Note	\$839	4.86%
Building Addition Note	11,885	2.95%
Total	\$12,724	

The Township issued a note through US Bank to purchase a township truck. The proceeds of the loan were received in 2007 in the amount of \$15,000 at an interest rate of 4.86%. The loan will be repaid in monthly installments over a 5 year period. The maturity date of the loan is March 2, 2012.

The Township issued a note through US Bank to construct a building addition onto the township garage. Proceeds in the amount of \$15,000 will be paid in monthly installments over a 4 year period at an interest rate of 2.95% The maturity date of the loan is December 20, 2014.

The Township's taxing authority collateralized the notes described above.

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

	Truck Note	Building Addition Note
Year ending December 31:		
2012	\$848	\$4,144
2013		4,144
2014		4,144
Total	\$848	\$12,432

6. RETIREMENT SYSTEMS

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

**GERMAN TOWNSHIP
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

For 2011 and 2010, OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

7. RISK MANAGEMENT

Risk Pool Membership

Through December 31, 2008, the Township belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 60 members as of December 31, 2009. The Township does not participate in this coverage.

**GERMAN TOWNSHIP
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. RISK MANAGEMENT (Continued)

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 financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:2009 and 2008 (the latest information available), and include amounts for both OPRRM and OPHC

	2009 OPRM	2009 OPHC	Total 2009	Total 2008
Assets	\$11,176,186	\$1,358,802	\$12,534,988	\$10,471,114
Liabilities	(4,852,485)	(1,253,617)	(6,106,102)	(5,286,781)
Members' Equity	\$6,323,701	\$105,185	\$6,428,886	\$5,184,333

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.



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

German Township
Harrison County
90670 Mill Road
Jewett, Ohio 43986

To the Board of Trustees:

We have audited the financial statements of German Township (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 13, 2012 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. In addition, we noted the Township implemented Government Accounting Standards Board Statement 54, *Fund Balance and Governmental Type Definitions*, in 2011. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting 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 Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

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 2011-04 described in the accompanying schedule of findings to be a material weakness.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 through 2011-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 13, 2012.

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

We intend this report solely for the information and use of management, the Board of Trustees and others within the Township. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

June 13, 2012

**GERMAN TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

Finding for Recovery/Noncompliance Citation/Repaid Under Audit

Ohio Revised Code Section 505.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met.

- (A) The board of township trustees adopts a resolution that state that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium that they incur for insurance policies described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.
- (B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee, beyond which the township will not reimburse the officer or employee.
- (C) That resolution states the specific benefits listed in division (A) of section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of the section 505.60 of the Revised Code.

The Township mistakenly believed that it could reimburse its officers/employees in amounts greater than each out of pocket premium incurred by the officer or employee for insurance coverage. The Township reimbursed Anthony Hanchin, in an amount of \$683 greater than the total out of pocket premiums incurred during 2011.

As stated above, a township may only reimburse an officer/employee for the out-of-pocket premium attributable to that officer or employee. All such warrants for reimbursement for out-of-pocket co-pays were signed by the Trustees and the Fiscal Officer. There is no authority that allows for reimbursement greater than paid premium.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Anthony Hanchin in the amount of \$683 in favor of the General fund.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of the expenditure. *Seward v. National Surety Corp*; 120 Ohio St. 47 (1929); 1980 Op. Atty. Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.re. Village of Linndale v. Masten*, 18 Ohio St. 3d 228(1985). Public officials controlling public funds or property are secondary liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained for the persons who unlawfully obtained such funds or property, 1980 Op. Atty. Gen. No. 80-074.

Therefore, because all Township Officials approved and signed the warrants resulting in improper payments, the following are jointly and severally liable for the entire amount of \$683: Carole Miller, Fiscal Officer and her bonding company, Selective Insurance Company of America along with Trustees Walter Carman, Ray Marker and Frank Kellar and their bonding company Ohio Plan Risk Management, Inc. are liable to the extent that recovery is not obtained from Mr. Hanchin.

Officials' Response:

Effective 9/11/2012, the final payment on the finding for recovery from Anthony Hanchin has been repaid.

FINDING NUMBER 2011-02

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) provides in part 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 officers' 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 clerk/treasurers' 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 District 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 Board of Trustees if such expenditure is otherwise valid.

2. **Blanket Certificate** – Fiscal Officer 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 extend beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Fiscal Officer did not certify or record the amount against the applicable appropriation accounts for 13% and 12% of tested 2011 and 2010 expenditures, respectively. 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 and negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, 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 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 authorizing 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 Township 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.

FINDING NUMBER 2011-03

Noncompliance Citation

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

Expenditures exceeded appropriations in the Road and Bridge Fund by \$12,387 and by \$4,920 as of December 31, 2010 and 2011, respectively.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary and if the resources are available.

Officials' Response

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

FINDING NUMBER 2011-04

Material Weakness

Proper Classification of Receipts and Disbursements

The Fiscal Officer did not correctly post all receipts and disbursements in 2010 and 2011, which resulted in adjustments and reclassifications. The Fiscal Officer has agreed to the reclassifications and the adjustments and these corrected amounts are reflected in the accompanying financial statements. The adjustments have also been posted to the Township ledgers.

2010:

Fund	Account Type	Amount	Description
Adjustments			
Road & Bridge	Property Tax Revenue	\$3,000	Posted to Debt Fund in error
Road & Bridge	Principal and Interest Expense	\$3,123	Posted to Debt Fund in error
Reclassifications			
General	Intergovernmental Revenue	\$2,821	Homestead & Rollback receipt classified as local tax revenue
Road & Bridge	Intergovernmental Revenue	\$4,741	Homestead & Rollback receipt classified as local tax revenue
Cemetery	Intergovernmental Revenue	\$1,488	Homestead & Rollback receipt classified as local tax revenue
Fire	Intergovernmental Revenue	\$1,485	Homestead & Rollback receipt classified as local tax revenue
Road & Bridge	Note Proceeds	\$15,000	Note proceeds classified as miscellaneous revenue

2011:

Fund	Account Type	Amount	Description
Adjustments			
Road & Bridge	Property Tax Revenue	\$6,600	Posted to Debt Fund in error
Road & Bridge	Principal and Interest Expense	\$7,192	Posted to Debt Fund in error
Reclassifications			
General	Intergovernmental Revenue	\$2,478	Posted as local taxes
General	License, Fines, & Fees	\$16,220	Posted as other financing sources

Failure to consistently follow a uniform chart of accounts increases the possibility that the Township will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance related legal and contractual requirements. The Fiscal Officer should maintain the accounting system to enable the Township to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the UAN chart of accounts to help ensure that financial activity of the Township is accurately recorded and reported. The Fiscal Officer should also prepare accurate monthly reconciliations with a complete explanation of all reconciling items. In addition, the Township should adopt procedures for the review of posted transactions, subsequent posting to the financial statements and monthly reconciliations.

Officials' Response

We did not receive a response from officials to this response.

**GERMAN TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Finding For Recovery	Yes – Repaid under audit.	
2009-002	ORC 5705.41(D)	No	Repeated as finding # 2011-02
2009-003	ORC 5705.41(B)	No	Repeated as finding #2011-03
2009-004	ORC 5705.39	Yes	
2009-005	Proper Posting of Receipts and Expenditures	No	Repeated as finding # 2011-04

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Dave Yost • 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
JANUARY 17, 2013**