

**GERMAN TOWNSHIP
CLARK COUNTY
Regular Audit
For the Years Ended December 31, 2013 and 2012**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Board of Trustees
German Township
3940 Lawrenceville Drive
Springfield, Ohio 45504

We have reviewed the *Independent Auditor's Report* of German Township, Clark County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. German Township is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

April 10, 2015

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GERMAN TOWNSHIP
CLARK COUNTY

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INDEPENDENT AUDITOR'S REPORT

November 11, 2014

German Township
Clark County
3940 Lawrenceville Drive
Springfield, Ohio 45504

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of **German Township**, Clark County, (the Township) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our adverse and qualified audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

Charges for services receipts are reported at \$231,711 and \$208,649 for the years ended December 31, 2013 and 2012, respectively, which are 15.06% of Special Revenue receipts for the year ended December 31, 2013, and 13.51% of Special Revenue receipts for the year ended December 31, 2012. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as charges for services receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of German Township, Clark County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**GERMAN TOWNSHIP
CLARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 39,331	\$ 820,585	\$ -	\$ 859,916
Charges for Services	-	231,711	-	231,711
Licenses, Permits and Fees	98,750	2,950	-	101,700
Fines and Forfeitures	-	122,896	-	122,896
Intergovernmental	45,254	344,480	-	389,734
Earnings on Investments	403	14	1	418
Miscellaneous	1,565	15,210	-	16,775
<i>Total Cash Receipts</i>	<u>185,303</u>	<u>1,537,846</u>	<u>1</u>	<u>1,723,150</u>
Cash Disbursements				
Current:				
General Government	227,047	-	-	227,047
Public Safety	273	893,908	-	894,181
Public Works	-	239,825	-	239,825
Health	16,870	-	-	16,870
Human Services	-	35,665	-	35,665
Debt Service:				
Principal Retirement	58,419	95,162	-	153,581
Interest and Fiscal Charges	8,299	13,413	-	21,712
<i>Total Cash Disbursements</i>	<u>310,908</u>	<u>1,277,973</u>	<u>-</u>	<u>1,588,881</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(125,605)</u>	<u>259,873</u>	<u>1</u>	<u>134,269</u>
Other Financing Receipts				
Sale of Capital Assets	-	795	-	795
<i>Total Other Financing Receipts</i>	<u>-</u>	<u>795</u>	<u>-</u>	<u>795</u>
<i>Net Change in Fund Cash Balances</i>	(125,605)	260,668	1	135,064
<i>Fund Cash Balances, January 1</i>	<u>288,303</u>	<u>1,190,720</u>	<u>2,858</u>	<u>1,481,881</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	1,992	1,992
Restricted	-	1,451,388	867	1,452,255
Assigned	238	-	-	238
Unassigned	162,460	-	-	162,460
<i>Fund Cash Balances, December 31</i>	<u>\$ 162,698</u>	<u>\$ 1,451,388</u>	<u>\$ 2,859</u>	<u>\$ 1,616,945</u>

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

**GERMAN TOWNSHIP
CLARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 38,089	\$ 792,593	\$ -	\$ 830,682
Charges for Services	-	208,649	-	208,649
Licenses, Permits and Fees	97,509	3,650	-	101,159
Fines and Forfeitures	-	155,627	-	155,627
Intergovernmental	146,009	341,267	-	487,276
Earnings on Investments	1,171	15	3	1,189
Miscellaneous	37,690	21,990	-	59,680
<i>Total Cash Receipts</i>	<u>320,468</u>	<u>1,523,791</u>	<u>3</u>	<u>1,844,262</u>
Cash Disbursements				
Current:				
General Government	218,155	-	-	218,155
Public Safety	1,749	1,010,505	-	1,012,254
Public Works	-	494,274	-	494,274
Health	10,556	-	-	10,556
Capital Outlay	3,082	148,982	-	152,064
Debt Service:				
Principal Retirement	425,738	95,259	-	520,997
Interest and Fiscal Charges	6,421	14,709	-	21,130
<i>Total Cash Disbursements</i>	<u>665,701</u>	<u>1,763,729</u>	<u>-</u>	<u>2,429,430</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(345,233)</u>	<u>(239,938)</u>	<u>3</u>	<u>(585,168)</u>
Other Financing Receipts				
Note Proceeds	261,160	-	-	261,160
Other Debt Proceeds	-	13,000	-	13,000
Sale of Capital Assets	124,850	7,997	-	132,847
<i>Total Other Financing Receipts</i>	<u>386,010</u>	<u>20,997</u>	<u>-</u>	<u>407,007</u>
<i>Net Change in Fund Cash Balances</i>	40,777	(218,941)	3	(178,161)
<i>Fund Cash Balances, January 1 (Restated, See Note 9)</i>	<u>247,526</u>	<u>1,409,661</u>	<u>2,855</u>	<u>1,660,042</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	1,992	1,992
Restricted	-	1,190,720	866	1,191,586
Assigned	32,555	-	-	32,555
Unassigned	255,748	-	-	255,748
<i>Fund Cash Balances, December 31</i>	<u>\$ 288,303</u>	<u>\$ 1,190,720</u>	<u>\$ 2,858</u>	<u>\$ 1,481,881</u>

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

**GERMAN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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, Clark 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, fire protection, police protection and emergency medical services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA), is a risk-sharing pool available to Ohio townships.

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.

The Township Fiscal Officer invests all available funds of the Township in an interest-bearing checking account and 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 accounts for all reports and financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

**GERMAN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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

Motor Vehicle License Tax and Permissive Motor Vehicle License Funds - This fund receives distribution of motor vehicle license tax from the county auditor to maintain and repair roads and road equipment.

Cemetery Fund – This fund receives fees for the sale of cemetery lots and burial fees.

Fire District Fund - This fund receives property tax money for expenses related to the Township Fire Department.

Police District Fund - This fund receives property tax money for expenses related to the Township Police Department.

Fire and Rescue, Ambulance and EMS Fund – This fund receives fees charged for Ambulance and EMS services.

3. 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 Bequest 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, and object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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.

**GERMAN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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 it 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
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fund Balance (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.

H. 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.

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:

	2013	2012
Demand Deposits	\$ 1,135,663	\$ 1,000,821
Savings	261,303	261,167
Total Deposits	1,396,966	1,261,988
STAR Ohio	219,979	219,893
Total Investments	219,979	219,893
Total Deposits and Investments	\$ 1,616,945	\$ 1,481,881

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

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 ended December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 168,283	\$ 185,303	\$ 17,020
Special Revenue	1,429,683	1,538,641	108,958
Permanent	10	1	(9)
Total	\$ 1,597,976	\$ 1,723,945	\$ 125,969

**GERMAN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 400,091	\$ 311,146	\$ 88,945
Special Revenue	2,369,225	1,282,955	1,086,270
Permanent Fund	801	-	801
Total	\$ 2,769,316	\$ 1,594,101	\$ 1,175,215

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 428,768	\$ 706,478	\$ 277,710
Special Revenue	1,613,630	1,544,788	(68,842)
Permanent	20	3	(17)
Total	\$ 2,042,418	\$ 2,251,269	\$ 208,851

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 926,233	\$ 698,256	\$ 227,977
Special Revenue	2,813,125	1,764,717	1,048,408
Permanent	-	-	-
Total	\$ 3,739,358	\$ 2,462,973	\$1,276,385

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 make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

**GERMAN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

5. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
General Obligation Bonds - Building	\$ 52,410	3.58%
General Obligation Bonds - Aerial Truck	408,422	2.56%
Police Cruiser Note	6,628	3.90%
Waterlines Loan	237,149	1.95%
North Hampton Water Note	114,155	1.50%
	\$ 818,764	

The Township issued general obligation bonds to finance the construction of a new township building. The prior audit balance was \$244,763, but should have been \$244,743.

The Township issued general obligation bonds to finance a refurbished aerial fire truck.

The Township obtained a loan from a local financial institution to finance the purchase of a new police cruiser.

The Township entered an agreement with the Village of North Hampton in 2005 for the Village to provide water service to Township residents. The Township had contracted with the Village of North Hampton for upsizing water lines, a water tower, and extending water lines. Repayment is through two loans that North Hampton had received. In July of 2012, German Township obtained a loan through Wesbanco for \$261,160 with an interest rate of 1.95% to pay off the loan with an interest rate of 4.34%. The prior audit balance of that loan had been \$268,189 but should have been \$261,160. The other loan, which was the Township's portion of the Ohio Water Development Association (OWDA) loan had a balance of \$114,495 in the prior audit, but should have been \$119,742.

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

	Building General Obligation Bonds	Fire Truck General Obligation Bonds	Police Cruiser Note	North Hampton Water Note	Water Lines Loan
Year ending December 31:					
2014	\$ 35,825	\$ 101,524	\$ 6,890	\$ 5,492	\$ 25,400
2015	35,825	101,524	-	5,492	25,400
2016	6,350	101,525	-	5,492	25,400
2017	-	101,525	-	5,492	25,400
2018	-	25,380	-	5,492	25,400
2019-2023	-	-	-	27,460	127,000
2024-2028	-	-	-	27,460	9,078
2029-2033	-	-	-	27,460	-
2034-2038	-	-	-	27,460	-
2039	-	-	-	2,726	-
Total	\$ 78,000	\$ 431,478	\$ 6,890	\$ 140,026	\$ 263,078

**GERMAN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

6. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2013 and 2012, members of OPERS contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

7. RISK MANAGEMENT

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	\$8,486,363	\$9,355,082
Net Position	\$26,467,923	\$25,416,188

**GERMAN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

7. RISK MANAGEMENT (Continued)

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$22,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$39,752	\$36,830

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA 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 the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. RESTATEMENT OF BEGINNING FUND BALANCES

The Township made fund balance adjustments in 2013 for 2012 to correct errors found during a Cash Reconciliation performed by the Auditor of State's Local Government Services Division (LGS). The Township Entered into a contract with LGS to perform monthly proofs of cash in order to ensure the Township's accounting system balance reconciled to the bank balance at December 31, 2011. The correction of these errors had the following effect on fund balances at December 31, 2011:

	General Fund	Special Revenue Fund	Capital Projects Fund	Permanent Fund
Ending Fund Balance at December 31, 2011	\$309,833	\$1,417,388	\$302,272	\$ 2,855
Correction for error in accounting	(62,307)	(7,727)	(302,272)	0
Restated Fund Balance at December 31, 2011	\$ 247,526	\$ 1,409,661	0	\$ 2,855

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

November 11, 2014

German Township
Clark County
3940 Lawrenceville Drive
Springfield, Ohio 45504

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of **German Township**, Clark County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated October 24, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We qualified our opinion on charges for services in the special revenue fund type for the years ended December 31, 2013 and 2012 because we were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as charges for services receipts.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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 findings 2013-001 through 2013-004 described in the accompanying schedule of audit findings to be material weaknesses.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 11, 2014.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**GERMAN TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Material Weakness

Posting of Receipts and Disbursements and Classification of Fund Balances

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund balances should be properly classified based on Governmental Accounting Standards Board Statement No. 54.

Receipts and Fund balances were not always posted or classified correctly. The following errors were noted:

- In 2013, an expenditure was posted to Transfers Out instead of General Government Expense in the General Fund.
- In 2013 and 2012, Interest Payments were posted as Principal Payments to the General, Fire and Rescue, Ambulance and Emergency Medical Services Funds.
- In 2013 and 2012, Charges for Services Receipts were recorded in the Capital Projects Fund instead of the Fire and Rescue, Ambulance and Emergency Medical Services Fund.
- In 2013 and 2012, Intergovernmental Receipts were recorded as Charges for Services and Other – Miscellaneous receipts in the Police District Fund.
- In 2013, a reimbursement to the Fire District Fund from the Fire and Rescue, Ambulance and Emergency Medical Services Fund had improperly been recorded as a Miscellaneous Receipt and a General Government Expenditure to avoid a negative fund balance in the Fire District Fund.
- In 2012, a Principal Payment was recorded as Capital Outlay in the General Fund.
- In 2012, Tangible Personal Property Tax was not properly distributed across the correct Funds.
- In 2012, a Sale of Capital Assets was recorded as a Miscellaneous Receipt in the General Fund.
- In 2012, Capital Outlay and Note Proceeds were not recorded in the Police District Fund for a Note.
- In 2013 and 2012, encumbrances at year end were not recorded as assigned but rather the entire General Fund was classified as unassigned.
- In 2012, the purchase of a capital asset was posted to Emergency Medical Supplies in the Fire and Rescue, Ambulance and Emergency Medical Services instead of Capital Outlay.
- In 2013, the principal payment for a loan payoff and corresponding note proceeds for the new loan to pay-off the former loan were not recorded.
- In 2013, the activity of reimbursements from the FEMA Fund was incorrectly recorded as an expenditure from the FEMA Fund and as a receipt in the Fund that was being reimbursed for FEMA activity.
- In 2013 and 2012, employee payroll deductions were incorrectly recorded as Other-Intergovernmental receipts and expenses to various Funds.

During 2013 and 2012 there were also adjustments and reclasses that were not required to be made that were overstatements of revenues and expenses. The Fiscal Officer was using receipts and expenditures to distribute funds for payroll withholdings and FEMA reimbursement between funds.

Not posting receipts and disbursements accurately and misclassifying funds resulted in the financial statements requiring several reclassifications and adjustments. The Township has agreed with and posted all adjustments to its accounting system. The financial statements reflect all reclassifications and adjustments.

**GERMAN TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2013-001 (Continued)

We recommend the Fiscal Officer refer to Ohio Administrative Code and/or the Ohio Township Handbook for guidance to determine proper establishment and posting of receipts and expenditures. We also recommend the fiscal officer refer to Auditor of State Technical Bulletins 2005-005 and 2011-004 for fund balance classification information.

Officials' Response – The 2012 errors were from the previous fiscal officer. I will be more diligent in recording and processing expenditures and receipts correctly.

FINDING NUMBER 2013-002

Material Weakness

Accounting for Charges for Services

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements. In addition, when designing a system of internal control and the specific control activities, management should consider monitoring activities performed by service organizations.

The Township provides fire and emergency medical/ambulance services and the associated billing and collection of said services. The Township contracted with Medicount Management Inc. (Medicount) to bill and collect fees on behalf of the Fire Department for ambulance and emergency services. When fees are collected, Medicount is to send a check for the amount to the Township. However, the process was not fully implemented. The Township did not maintain appropriate records associated with the billing of services.

The Township did not establish procedures to determine whether the Medicount had sufficient controls implemented and operating effectively to reduce the risk that the ambulance and emergency services have not been completely and accurately processed in accordance with the Township Billing Procedure.

This resulted in difficulty determining if Medicount used board approved rates, appropriate cutoff and assurance of completeness. This could also allow for amounts collected by Medicount not to agree to amounts billed by the Township.

We recommend the Township utilize a detailed listing of emergency runs/bills and receipts collected for the month. This listing should be compared to the amount deposited by Medicount into the Township's account to ensure amounts collected agree to amounts deposited. Any discrepancies between the amounts deposited and the amounts collected should be explained.

Management's Response – We will work with the fire department and Medicount to correct this problem. We will have an approved billing rate sheet.

**GERMAN TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2013-003

Material Weakness

Restatement of Beginning Fund Balance Due to Unposted Expenditures

In May 2013, the Township had a cash reconciliation completed by the Auditor of State's Local Government Services Division in order to reconcile a difference between the bank and book balances for the Township. The Township had unposted adjustments from previous audits that required fund balance adjustments to the General, Road and Bridge, Police District, Fire District, and Capital Projects Funds. The Township also had unposted expenditures from prior periods that required fund balance adjustments to the General, Fire and Rescue, Ambulance and Emergency Medical Services, and Capital Projects Funds.

We recommend the Township post all expenditures and make all audit adjustments.

Management's Response – Due to errors by the previous fiscal officer – LGS was called in to reconcile the books from 2012 – backwards. In 2013, all expenditures and receipts have been posted and I will work with the auditor to see any further adjustments are done in a timely manner.

FINDING NUMBER 2013-004

Material Weakness

Bank Reconciliations

The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances. Outstanding checks, deposits in transit and other reconciling items were not detailed to enable a proper reconciliation to be performed. In addition, the Township's receipts and appropriations ledgers were not reconciled to the activity recorded in the Township's cashbook. The lack of proper reconciliations among the bank statements, cashbook and ledgers resulted in numerous errors which remained undetected and/or uncorrected. The extensive problems with these reconciliations resulted in the need for the Township to obtain detailed proofs of cash for each month and a reconstruction of the cash book for the entire audit period. The Township incurred considerable fees for this service which could have been avoided.

We recommend the Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances. Copies of bank reconciliations should be presented to the Board for the Board's review and use in managing the Township. The Fiscal Officer should reconcile activity entered in the receipts ledger and appropriations ledger to the cashbook. Expenditures should be posted to those account codes as recorded on the Board approved vouchers.

Management's Response – In 2012, bank statements were from the previous fiscal officer. The 2013 bank statements have been reconciled properly each month and signed by all trustees. This will continue during my term.

**GERMAN TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2013-005

Non-Compliance

OAG OPINION 99-105 states for the purposes of calculating the authorized compensation of the fiscal officer (pursuant to R.C. 507.09) the term “budget” refers to the total amount of resources available to the township pursuant to the official certificate of estimated resources or amendments to the certificate, since the date of the certificate controls the salary amount.

Ohio Revised Code Section 507.09 provides the limit on the maximum compensation to be paid to a Township Fiscal Officer. In 2012, Germans Township’s total budget fell within a range setting the Fiscal Officer at \$21,221 per year.

In 2012, the Fiscal Officer received a salary in the amount of \$21,400. Based on the Ohio Revised Code Section 507.09 and the Township’s budget for the year, the fiscal officer was overpaid by \$179.

We recommend that the Township compare compensation amounts to the applicable Ohio Rev. Code to determine the allowable amount of compensation for each year based on the Township budget. We also recommend the prior Fiscal Officer reimburse the Township for this overpayment.

Management’s Response – We did not receive a response from Officials to this finding.

**GERMAN TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Total Appropriations Exceeding Estimated Resources	No	Moved to Management Letter
2012-002	Not Amending Certificate of Available Resources	Yes	Corrected

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Dave Yost • Auditor of State

GERMAN TOWNSHIP

CLARK 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
MAY 7, 2015**