



**Auditor of State
Betty Montgomery**

**GERMAN TOWNSHIP
FULTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Schedule of Findings.....	11
Schedule of Prior Audit Findings.....	13

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

German Township
Fulton County
308 Buckeye Street
Archbold, Ohio 43502-1163

To the Board of Trustees:

We have audited the accompanying financial statements of German Township, Fulton County, (the Township) as of and for the years ended December 31, 2002 and 2001. 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 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

German Township
Fulton County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

June 18, 2003

**GERMAN TOWNSHIP
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$132,611	\$295,172	\$427,783
Intergovernmental	74,424	96,312	170,736
Earnings on Investments	12,029	905	12,934
Other Revenue	19,177	1,600	20,777
	<u>238,241</u>	<u>393,989</u>	<u>632,230</u>
Cash Disbursements:			
Current:			
General Government	132,011		132,011
Public Safety	21,119		21,119
Public Works	2,250	87,279	89,529
Health		6,359	6,359
Capital Outlay	101,839	350,875	452,714
	<u>257,219</u>	<u>444,513</u>	<u>701,732</u>
Total Cash Disbursements Over Cash Receipts	<u>(18,978)</u>	<u>(50,524)</u>	<u>(69,502)</u>
Other Financing Receipts and (Disbursements):			
Transfers-In		73,443	73,443
Other Sources		210	210
Transfers-Out	(73,443)		(73,443)
	<u>(73,443)</u>	<u>73,653</u>	<u>210</u>
Total Other Financing Receipts/(Disbursements)	<u>(73,443)</u>	<u>73,653</u>	<u>210</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(92,421)	23,129	(69,292)
Fund Cash Balances, January 1	<u>322,250</u>	<u>662,074</u>	<u>984,324</u>
Fund Cash Balances, December 31	<u><u>\$229,829</u></u>	<u><u>\$685,203</u></u>	<u><u>\$915,032</u></u>

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

**GERMAN TOWNSHIP
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$128,662	\$288,762	\$417,424
Intergovernmental	98,519	95,730	194,249
Earnings on Investments	35,576	1,474	37,050
Other Revenue	3,428		3,428
	<u>266,185</u>	<u>385,966</u>	<u>652,151</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	129,497		129,497
Public Safety	24,571		24,571
Public Works	2,564	77,624	80,188
Health		6,350	6,350
Capital Outlay		423,225	423,225
	<u>156,632</u>	<u>507,199</u>	<u>663,831</u>
Total Cash Disbursements			
Total Cash Receipts Over/ (Under) Cash Disbursements	<u>109,553</u>	<u>(121,233)</u>	<u>(11,680)</u>
Other Financing Receipts and (Disbursements):			
Transfers-In		80,135	80,135
Transfers-Out	(80,135)		(80,135)
	<u>(80,135)</u>	<u>80,135</u>	<u></u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	29,418	(41,098)	(11,680)
Fund Cash Balances, January 1	<u>292,832</u>	<u>703,172</u>	<u>996,004</u>
Fund Cash Balances, December 31	<u><u>\$322,250</u></u>	<u><u>\$662,074</u></u>	<u><u>\$984,324</u></u>

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

**GERMAN TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

German Township, Fulton County, (the Township) 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. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Village of Archbold to provide fire services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

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

**GERMAN TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

Fire District Fund – This fund receives property tax money for purchasing and maintaining fire equipment.

Special Road Levy Fund – This fund receives property tax money for purchasing and maintaining Township roads and bridges.

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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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. The Township did not use the encumbrance method of accounting. However, no material unrecorded encumbrances were outstanding at December 31.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	<u>2002</u>	<u>2001</u>
Demand deposits	\$914,532	\$983,824
Certificates of deposit	500	500
Total deposits	<u>\$915,032</u>	<u>\$984,324</u>

**GERMAN TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$227,740	\$238,241	\$10,501
Special Revenue	481,931	467,642	(14,289)
Total	\$709,671	\$705,883	(\$3,788)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$549,989	\$330,662	\$219,327
Special Revenue	1,197,440	444,513	752,927
Total	\$1,747,429	\$775,175	\$972,254

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$227,740	\$266,185	\$38,445
Special Revenue	475,369	466,101	(9,268)
Total	\$703,109	\$732,286	\$29,177

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$520,571	\$236,767	\$283,804
Special Revenue	1,143,402	507,199	636,203
Total	\$1,663,973	\$743,966	\$920,007

Contrary to Ohio Administrative Code § 117-2-02, the Township's estimated revenue in its 2001 financial statements did not agree with the Amended Certificates approved by the Board of Trustees and filed with the County Auditor. The Township's budgeted expenditures in its 2002 and 2001 financial statements did not agree with the Appropriations Resolutions and amendments approved by the Board of Trustees and filed with the County Auditor. The budgetary financial note correctly reflects approved budgeted revenues and expenditures.

**GERMAN TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements 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.

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

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. RETIREMENT SYSTEMS

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement 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 2002 and 2001, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equal to 13.55 percent of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions.

The Township also provides a group health insurance premium reimbursement plan including hospitalization, surgical care, major medical care, medical care, and prescription drugs to its road maintenance employees, trustees, and clerk (and families).



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

German Township
Fulton County
308 Buckeye Street
Archbold, Ohio 43502-1163

To the Board of Trustees:

We have audited the accompanying financial statements of German Township, Fulton County, (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 18, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 18, 2003.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 18, 2003.

German Township
Fulton County
Independent Accountants' Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

June 18, 2003

**GERMAN TOWNSHIP
FULTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Administrative Code § 117-2-02 (C) (1) requires all public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations. The following deficiencies were noted:

- In 2001 and 2002, no estimated revenue amounts were posted to the receipts ledger.
- The following funds had estimated revenue amounts posted to the annual report budgetary financial statements which did not match the amounts in the certificate of estimated resources by the amounts listed:

	Annual Report	Certificate of Estimated Resources	Difference
2002			
Fire District Fund	\$63,882	\$65,495	\$1,613
Special Road Levy Fund	126,042	130,991	4,949

- The following funds had appropriation amounts posted to the annual report budgetary financial statements which did not match the amounts appropriated in the appropriations resolutions by the amounts listed:

	Annual Report	Appropriations Resolutions	Difference
2001			
Gasoline Tax Fund	\$70,852	\$105,852	\$35,000
Cemetery Fund	5,457	15,457	10,000
2002			
Motor Vehicle License Tax Fund	81,068	131,068	50,000
Cemetery Fund	19,136	29,136	10,000

Inaccurate budget to actual comparisons could cause management to draw incorrect conclusions regarding fiscal position. We recommend the following:

- The taxes revenue and total other local sources revenue amounts indicated on the Amended Certificate of Estimated Resources be posted to the revenue history reports.
- The budgeted amounts indicated in the annual report budgetary financial statements be reconciled with the budgeted amounts indicated on the amended certificates of estimated resources and on the appropriations resolution and any amendments.

The budgetary financial note correctly reflects amounts from the certificate of estimated resources and from the appropriations resolution and any amendments.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Administrative Code § 117-2-02 (C) (2) states purchase orders should be used to approve purchase commitments and encumber funds against the applicable appropriation account(s), as required by Ohio Revised Code § 5705.41(D). Further, purchase orders are not effective unless the fiscal officer's certificate is attached, and the certificate should be attached at the time a commitment to purchase goods or services are made.

The Township does not use purchase orders. We recommend the Clerk complete a purchase order for all purchase commitments. The purchase order would be recorded in the appropriation ledger against an applicable appropriation account leaving an unencumbered balance. The unencumbered balance should be used as a management tool to control expenditures.

**GERMAN TOWNSHIP
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 and 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40126-001	Ohio Administrative Code § 117-2-02 The Township does not use purchase orders nor does it encumber funds	No	Not corrected. Reissued as Finding 2002-002.
2000-40126-002	Ohio Administrative Code § 117-2-02 Estimated revenues are not posted into the Receipts Journal	No	Not corrected. Reissued as Finding 2002-001.
2000-40126-003	Ohio Revised Code § 5731.48 Estate tax revenue was not posted to the General Fund	Yes	
2000-40126-004	German Township Resolution to Transfer Estate Tax dated 6/15/99 The approved transfer was not posted in the financial records	Yes	



**Auditor of State
Betty Montgomery**

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GERMAN TOWNSHIP

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 29, 2003**