



**Auditor of State
Betty Montgomery**

GERMAN TOWNSHIP
CLARK COUNTY

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**Auditor of State
Betty Montgomery**

German Township
Clark County
3940 Lawrenceville Drive
Springfield, Ohio 45504

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 a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your township 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 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 cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

July 27, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

German Township
Clark County
3940 Lawrenceville Drive
Springfield, Ohio 45504

To the Board of Trustees:

We have audited the accompanying financial statements of German Township, Clark County, (the Township), as of and for the years ended December 31, 2005 and 2004. 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(B) and 115.56 mandate 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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.

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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, 2005 and 2004 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, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2006, 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.



Betty Montgomery
Auditor of State

July 27, 2006

**GERMAN TOWNSHIP
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$49,172	\$1,017,841			\$1,067,013
Intergovernmental	101,006	213,794			314,800
Charges for Services		31,901			31,901
Licenses, Permits, and Fees	6,540	4,500			11,040
Fines, Forfeitures, and Penalties		93,509			93,509
Earnings on Investments	20,282	2,515		82	22,879
Other Revenue	54,371	109,039			163,410
Total Cash Receipts	<u>231,371</u>	<u>1,473,099</u>		<u>82</u>	<u>1,704,552</u>
Cash Disbursements:					
Current:					
General Government	128,283	10,059			138,342
Public Safety	26,085	713,716			739,801
Public Works		399,390			399,390
Health	6,010	150,798			156,808
Debt Service:					
Redemption of Principal	20,279	87,170			107,449
Interest and Fiscal Charges	2,025				2,025
Capital Outlay	109,977	45,051			155,028
Total Cash Disbursements	<u>292,659</u>	<u>1,406,184</u>			<u>1,698,843</u>
Total Receipts Over/(Under) Disbursements	<u>(61,288)</u>	<u>66,915</u>		<u>82</u>	<u>5,709</u>
Other Financing Receipts and (Disbursements):					
Other Proceeds from Sale of Public Debt		14,000			14,000
Sale of Fixed Assets		818			818
Transfers-In			150,679		150,679
Transfers-Out		(150,679)			(150,679)
Total Other Financing Receipts/(Disbursements)		<u>(135,861)</u>	<u>150,679</u>		<u>14,818</u>
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(61,288)	(68,946)	150,679	82	20,527
Fund Cash Balances, January 1	278,519	701,175		2,698	982,392
Fund Cash Balances, December 31	<u>\$217,231</u>	<u>\$632,229</u>	<u>\$150,679</u>	<u>\$2,780</u>	<u>\$1,002,919</u>
Reserve for Encumbrances, December 31	<u>\$42</u>	<u>\$20,900</u>			<u>\$20,942</u>

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

**GERMAN TOWNSHIP
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$46,432	\$1,005,244		\$1,051,676
Intergovernmental	104,560	216,882		321,442
Charges for Services		29,559		29,559
Licenses, Permits, and Fees	5,470	3,500		8,970
Fines, Forfeitures, and Penalties		56,194		56,194
Earnings on Investments	5,728	1,434	30	7,192
Other Revenue	7,493	6,826		14,319
	<u>169,683</u>	<u>1,319,639</u>	<u>30</u>	<u>1,489,352</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	134,119	14		134,133
Public Safety	24,401	601,967		626,368
Public Works		319,901		319,901
Health	15,228	140,817		156,045
Debt Service:				
Redemption of Principal	19,720	87,170		106,890
Interest and Fiscal Charges	2,584	230		2,814
Capital Outlay	8,000	375,514		383,514
	<u>204,052</u>	<u>1,525,613</u>		<u>1,729,665</u>
Total Cash Disbursements				
	<u>(34,369)</u>	<u>(205,974)</u>	<u>30</u>	<u>(240,313)</u>
Total Receipts Over/(Under) Disbursements				
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Other Proceeds from Sale of Public Debt		254,574		254,574
Other Uses	(639)	(43)		(682)
	<u>(639)</u>	<u>254,531</u>		<u>253,892</u>
Total Other Financing Receipts/(Disbursements)				
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(35,008)	48,557	30	13,579
Fund Cash Balances, January 1	<u>313,527</u>	<u>652,618</u>	<u>2,668</u>	<u>968,813</u>
Fund Cash Balances, December 31	<u><u>\$278,519</u></u>	<u><u>\$701,175</u></u>	<u><u>\$2,698</u></u>	<u><u>\$982,392</u></u>

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

**GERMAN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

German Township, Clark 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, fire protection, police protection, and emergency medical 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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Township values certificates of deposit at cost, and common stock at fair value. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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 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.

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

**GERMAN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Motor Vehicle License Tax and Permissive Motor Vehicle License Funds – These funds receive distribution of motor vehicle license tax from the county auditor to maintain and repair roads and road equipment.

Fire District Fund – This fund receives money property tax money for expenses related to the township fire department.

Police Fund - This fund receives money property tax money for expenses related to the township police department.

3. Capital Project Funds

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Capital Fire District Fund – This fund receives money from Fire District Fund and has been established for the purpose of acquiring funds for purchase of large expenditures.

4. Fiduciary Funds (Trust and Agency Funds)

This fund is used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant Fiduciary Fund:

Cemetery Bequest Fund – This nonexpendable trust fund receives interest earned on donated amounts. Investment earnings are used for grave upkeep as specified by the donor.

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.

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 routinely certify the availability of funds as required by Ohio law.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**GERMAN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	\$89,686	\$100,895
Certificates of deposit	211,531	510,000
Total deposits	301,217	610,895
 STAR Ohio	 180,201	 174,762
Money Market	501,731	186,965
Common stock (at cost, fair value was \$20,110 and \$9,770 at December 31, 2005 and 2004, respectively.)	19,770	9,770
Total investments	701,702	371,497
Total deposits and investments	\$1,002,919	\$982,392

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) 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. Common Stock is not an eligible for investment of public funds of the German Township under Ohio Revised Code, Section 135

**GERMAN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$217,049	\$231,371	\$14,322
Special Revenue	1,251,688	1,487,917	236,229
Capital Projects	150,679	150,679	
Fiduciary	73	82	9
Total	<u>\$1,619,489</u>	<u>\$1,870,049</u>	<u>\$250,560</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$413,256	\$292,701	\$120,555
Special Revenue	1,935,612	1,577,763	357,849
Capital Projects	150,000		150,000
Fiduciary			
Total	<u>\$2,498,868</u>	<u>\$1,870,464</u>	<u>\$628,404</u>

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$160,105	\$169,683	\$9,578
Special Revenue	1,500,489	1,574,213	73,724
Fiduciary	15	30	15
Total	<u>\$1,660,609</u>	<u>\$1,743,926</u>	<u>\$83,317</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$446,309	\$204,691	\$241,618
Special Revenue	2,199,985	1,525,656	674,329
Fiduciary	2,369	0	2,369
Total	<u>\$2,648,663</u>	<u>\$1,730,347</u>	<u>\$918,316</u>

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.

**GERMAN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. PROPERTY TAX (Continued)

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, 2005 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$52,157	2.76%
Rescue Truck Lease-Purchase	84,837	2.75%
Cruiser Note	14,000	3.93%
Total	\$150,994	

The general obligation bonds were issued to pay legal fees based on a court ordered judgment. The bonds are collateralized solely by the Township's taxing authority. Cruiser note was issued for the purchase of a new police cruiser. The notes are uncollateralized.

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

	General Obligation Bonds	Rescue Truck Lease Purchase	Cruiser Note
Year ending December 31:			
2006	\$22,304	\$87,170	\$7,550
2007	22,304		7,275
2008	10,163		
Total	\$54,771	\$87,170	\$14,825

Additionally, the Township entered into an agreement with the Village of North Hampton on November 9, 2005 for water services for \$410,000. The first anticipated payment will be January, 1, 2008.

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS 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 2005 and 2004, members in classifications other than law enforcement and public safety contributed 8.5% of their gross salaries to PERS. Members in law enforcement classifications, for German Township which consists generally of full time police officers, contributed 10.1% of their gross salaries to PERS. The German Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2005.

**GERMAN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

Risk Pool Membership

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP).

Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

**GERMAN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RISK MANAGEMENT (Continued)

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2005 and 2004.

Casualty Coverage	2005	2004
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
Property Coverage	2005	2004
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$17,500 for 2004 and \$16,555 for 2005.

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**Auditor of State
Betty Montgomery**

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

German Township
Clark County
3940 Lawrenceville Drive
Springfield, Ohio 45504

To the Board of Trustees:

We have audited the financial statements of the German Township (the Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated July 27, 2006, 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. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2005-001 listed above to be a material weakness. In a separate letter to the Township's management dated July 27, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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German Township
Clark County
Independent Accountants' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required By *Government Auditing Standards*

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2005-002. In a separate letter to the Township's management dated July 27, 2006, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

July 27, 2006

**GERMAN TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Reportable Condition / Material Weakness

Bank Reconciliations

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the books provide a reasonable assurance that all receipts and expenditures have been correctly posted on the entity's books and have been correctly posted by the bank. Additionally, reconciliation should be used to provide an accurate picture of Township's financial position at month end.

The following errors/exceptions were noted in the Township's records during 2004 and 2005:

1. The Township expensed the purchase of a \$10,000 Certificate of Deposit (CD) during February 2004. Moving money from checking account to investments should not be posted as expenditures.
2. A variance of \$56 was noted during April 2004 due to the variance between the actual amount of check number 13930 written by the Township and the memo check number 26-2004 posted to its system.
3. The Township did not record \$755 deposited on May 26, 2004 until June 30, 2004, did not record \$531 deposited in August 2004 until December 2004, did not record \$54,098 deposited during October 2004 until December 2004 and did not record \$48,657 deposited during September 2005 until December 2005. Similarly, the Township did not post \$19,201 deposited during August 2004 in a timely manner. \$5,248 of the deposit was posted in October 2004 while the remaining balance of \$13,953 was not posted until December 2004. These omissions indicate that timely and accurate reconciliations were not being performed.
4. June, August, September, October 2004 interest was not posted until December 2004.
5. A \$200,000 variance was noted in November's reconciliation in investments due to the Township reducing investment balance for a transfer that was between primary checking accounts.
6. Numerous other small errors/ reconciling items were noted throughout 2004 and 2005
7. The following bank deposits made April 2005 were not posted in a timely manner:
 - a. \$23,595 booked in May 2005
 - b. \$63,273 booked in July 2005
 - c. \$949 booked in December 2005
 - d. \$48,162 booked in July 2005

This resulted in reconciling items for the period between the bank deposits and the book postings.

8. The Township purchased a \$100,000 CD during June 2005 and only posted \$39,000 to the investments and left the remainder on the records as being in the checking. This led to a \$61,000 reconciling item between the checking account and the investments until September 2005 when the CD was cashed.

**FINDING NUMBER 2005-001
(Continued)**

9. The Township voided check number 15764 in amount of \$15,450 during July 2005. However, the check cleared the bank, which resulted in a reconciling item between the bank and the books until December 2005, when memo check 81-2005 was posted.
10. The Township did not post the \$14,000 Cruiser Loan proceeds from August 2005 until December 2005.
11. A variance of \$261,000 was noted between the book value and the actual investments during August 2005. This variance included the \$61,000 variance noted earlier. The variance was reduced to \$39,000 during September 2005.
12. Interest earned throughout 2005 on primary checking accounts and matured CDs was not posted by the Township until December 2005. Additionally, the Township did not post \$1,531 in interest on a matured CD from July 2005 and erroneously posted \$391 from a matured CD as reinvested in investments.
13. On December 31, 2005, the Township's reconciliation had \$1,403 in reconciling items that required adjustment to the books.
14. Review of bank reconciliations noted that the signed reconciliations from April 2004 through November 2004 were printed on December 31, 2004 and February 2005 though November 2005 reconciliations were printed on December 31, 2005.
15. The Township invested \$10,000 in American Funds during 2004 and another \$10,000 during 2005. The Township expensed the purchase of these investments.
16. Some check numbers that cleared the bank for the Township did not tie to the check numbers posted on the system. The Township wrote check number 15076 in amount of \$87,170 during 2004. However, check number posted on the system was 15123.

Audit adjustments were made to present the correct cash balance on the accompanying financial statements which resulted in additional audit expenses and did not allow for the trustees to have accurate information for financial making decisions.

The Township should post all receipts in a timely and accurate manner. Timely posting of receipts should improve the accuracy of the Township records and allow for an easier reconciliation between the recorded cash balance and the bank amounts. Further, steps should be taken to verify that the check number and amounts that clear the bank are the same as in the accounting records.

The bank account reconciliation is a basic control to provide accuracy and completeness of the Township's recording of current receipts and expenditures. Failure to maintain complete accountability of public monies could increase the possibility of funds being altered, impaired, lost or stolen.

Procedures should be implemented to verify that monthly bank reconciliations are performed in a timely manner and any reconciling items, other than deposits in transit, and outstanding checks, are corrected within a reasonable period. Failure to do so could result in management using the wrong cash balance as a basis for their decisions and also for bank errors being unnoticed. Additionally, independent detailed reviews should be performed of these reconciliations as means of providing for their accuracy.

Officials Response: We did not receive an officials' response to this finding.

FINDING NUMBER 2005-002

Noncompliance Citation

Ohio Rev. Code 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate: If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by Township.
2. Blanket certificate: Fiscal officers may prepare "blanket" certificates for a sum not exceeding an amount established by resolution or ordinance adopted by members of the legislative authority against any specific line item account over a period not running beyond the current 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 account 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 certificate may be outstanding at a particular time for any one line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for \$198,428 out of \$509,363 or 39 percent of the expenditures tested for 2005 and 2004 and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in misappropriation of monies and negative cash fund 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 that Township funds will exceed budgetary spending limitations, the Township's Clerk certify, if correct, that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, "then and now" certification should be used. The Township Clerk should certify all purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. **Officials Response:** We did not receive an officials' response to this finding.

**GERMAN TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	ORC Sec. 117.28 – Finding for recovery issued for overpayment of public money.	Yes	Corrected
2003-002	ORC Sec. 5705.10 – Revenue was posted to incorrect funds.	No	Not corrected, repeated as management letter comment.
2003-003	ORC Sec. 5705.41(D) - Clerk failed to certify the availability of funds.	No	Not corrected, repeated as finding number 2005-002.



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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
SEPTEMBER 12, 2006**