

Village of Germantown  
Montgomery County, Ohio

Regular Audit

For the Years Ended December 31, 2008 and 2007  
Fiscal Years Audited Under GAGAS: 2008 and 2007



**Balestra, Harr & Scherer, CPAs, Inc.**

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# Dave Yost • Auditor of State

Members of Council  
Village of Germantown  
75 North Walnut Street  
Germantown, Ohio 45327

We have reviewed the *Independent Auditor's Report* of the Village of Germantown, Montgomery County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2007 through December 31, 2008. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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. The Village of Germantown is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

May 5, 2011

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### Independent Auditor's Report

Members of Council  
Village of Germantown  
75 North Walnut Street  
Germantown, Ohio 45327

We have audited the accompanying financial statements of the Village of Germantown, Montgomery County, Ohio, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as described in the fourth following paragraph, 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. We believe our audit provides a reasonable basis for our opinions.

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

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

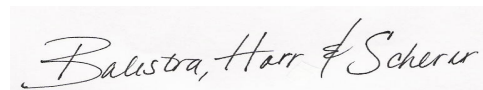
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position or cash flows, where applicable, for the years then ended.

Because of the inadequacy of accounting records for the years ended December 31, 2008 and 2007, we were unable to satisfy ourselves as to the completeness or occurrence of income tax receipts as recorded in the accompanying combined statement of cash receipts, cash disbursements, and changes in fund cash balances all governmental funds at December 31, 2008 and 2007 (stated at \$1,048,205 and \$1,020,104, respectively). Also, because of the inadequacy of accounting records for the years ended December 31, 2008 and 2007, we were unable to satisfy ourselves as to the completeness or occurrence of utility billing receipts for water, sewer and garbage utilities as recorded in the accompanying combined statement of cash receipts, cash disbursements, and changes in fund cash balances all proprietary funds at December 31, 2008 and 2007 (stated at \$1,424,346 and \$1,441,149, respectively).

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves about the completeness and occurrence of income tax receipts and utility billing receipts described in the preceding paragraph for the years ended December 31, 2008 and 2007, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Germantown, Montgomery County, Ohio, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2011 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.  
March 2, 2011



VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types					Totals
	General	Special Revenue	Debt Service	Capital Projects	Permanent Fund	(Memorandum Only)
<b>Cash Receipts:</b>						
Property and Local Taxes	\$ 1,366,759	\$ 275,723	\$ -	\$ 6,989	\$ -	\$ 1,649,471
Intergovernmental	252,034	753,413	-	187,258	-	1,192,705
Special Assessments	-	102,820	3,623	104,986	-	211,429
Fines, Licenses, and Permits	63,328	11,181	-	1,250	-	75,759
Rent	-	1,550	-	3,775	-	5,325
Donations	-	186,936	-	-	-	186,936
Interest	36,034	9,711	-	2,853	432	49,030
Miscellaneous	22,819	1,667	-	105	-	24,591
Total Cash Receipts	<u>1,740,974</u>	<u>1,343,001</u>	<u>3,623</u>	<u>307,216</u>	<u>432</u>	<u>3,395,246</u>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons & Property	795,087	597,061	-	-	-	1,392,148
Public Health Service	300	191,100	-	-	-	191,400
Leisure Time Activities	-	1,786	-	-	-	1,786
Community Environment	58,869	-	-	-	-	58,869
Transportation	-	309,968	-	28,821	-	338,789
General Government	535,823	78,254	50	3,843	-	617,970
Capital Outlay	812	375,128	-	335,526	-	711,466
Debt Service:						
Redemption of Principal	831,226	-	58,500	106,708	-	996,434
Interest and Fiscal Charges	65,525	-	2,559	75,846	-	143,930
Total Cash Disbursements	<u>2,287,642</u>	<u>1,553,297</u>	<u>61,109</u>	<u>550,744</u>	<u>-</u>	<u>4,452,792</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(546,668)</u>	<u>(210,296)</u>	<u>(57,486)</u>	<u>(243,528)</u>	<u>432</u>	<u>(1,057,546)</u>
<b>Other Financing Receipts and (Disbursements):</b>						
Proceeds from Sale of Public Debt:						
Sale of Notes/Bonds	749,000	70,000	46,000	81,825	-	946,825
Debt Premium	2,503	-	-	-	-	2,503
Sale of Assets	-	10,382	-	-	-	10,382
Transfers-In	6,829	-	14,160	45,131	-	66,120
Advances-In	264,623	80,000	46,630	30,000	-	421,253
Transfers-Out	(14,160)	-	(6,600)	(45,360)	-	(66,120)
Advances-Out	(243,030)	(80,000)	(46,000)	(82,623)	-	(451,653)
Total Other Financing Receipts/(Disbursements)	<u>765,765</u>	<u>80,382</u>	<u>54,190</u>	<u>28,973</u>	<u>-</u>	<u>929,310</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>219,097</u>	<u>(129,914)</u>	<u>(3,296)</u>	<u>(214,555)</u>	<u>432</u>	<u>(128,236)</u>
Fund Cash Balances, January 1	<u>327,246</u>	<u>428,478</u>	<u>3,300</u>	<u>274,223</u>	<u>16,861</u>	<u>1,050,108</u>
Fund Cash Balances, December 31	<u>\$ 546,343</u>	<u>\$ 298,564</u>	<u>\$ 4</u>	<u>\$ 59,668</u>	<u>\$ 17,293</u>	<u>\$ 921,872</u>
Reserve for Encumbrances, December 31	<u>\$ 173</u>	<u>\$ 6,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,862</u>

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

**VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 1,690,862
Special Assessments	7,155
Intergovernmental Revenue	4,912
Interest	18,622
Rent	15,510
Miscellaneous	3,028
	<u>1,740,089</u>
Total Operating Cash Receipts	<u>1,740,089</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	379,860
General Government	
Contractual Services	1,011,712
Supplies & Maintenance	99,480
Maintenance	10,667
Capital Outlay	67,622
	<u>1,569,341</u>
Total Operating Cash Disbursements	<u>1,569,341</u>
Operating Income	<u>170,748</u>
<b>Non-Operating Cash Receipts:</b>	
Proceeds from Sale of Notes	100,000
Sale of Assets	53,996
	<u>153,996</u>
Total Non-Operating Cash Receipts	<u>153,996</u>
<b>Non-Operating Cash Disbursements:</b>	
Debt Service:	
Principal	274,089
Interest	104,591
Other Financing Uses	53,996
	<u>432,676</u>
Total Non-Operating Cash Disbursements	<u>432,676</u>
Excess of Receipts/(Under) Disbursements Before Interfund Transfers & Advances	(107,932)
Transfers In	12,160
Advances In	86,400
Transfers Out	(12,160)
Advances Out	(56,000)
	<u>(77,532)</u>
Net Receipts Over/(Under) Disbursements	<u>(77,532)</u>
Fund Cash Balances, January 1	<u>1,016,149</u>
Fund Cash Balances, December 31	<u>\$ 938,617</u>
Reserve for Encumbrances, December 31	<u>\$ 166,153</u>

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

VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent Fund	
<b>Cash Receipts:</b>						
Property and Local Taxes	\$ 1,318,465	\$ 322,466	\$ -	\$ -	\$ -	\$ 1,640,931
Intergovernmental	245,288	796,074	-	498,464	-	1,539,826
Special Assessments	-	97,955	3,802	99,728	-	201,485
Fines, Licenses, and Permits	57,119	10,774	-	8,750	-	76,643
Rent	-	1,400	-	-	-	1,400
Donations	-	131,090	-	-	-	131,090
Interest	85,223	7,089	-	3,937	829	97,078
Miscellaneous	9,820	3,474	-	5,638	-	18,932
<b>Total Cash Receipts</b>	<b>1,715,915</b>	<b>1,370,322</b>	<b>3,802</b>	<b>616,517</b>	<b>829</b>	<b>3,707,385</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons & Property	824,238	631,371	-	-	-	1,455,609
Public Health Service	395	53,588	-	-	-	53,983
Leisure Time Activities	-	3,417	-	5,480	-	8,897
Community Environment	65,397	-	-	-	-	65,397
Transportation	-	263,699	-	-	-	263,699
General Government	486,317	73,720	307	-	-	560,344
Capital Outlay	7,578	220,457	-	3,093,429	-	3,321,464
Debt Service:						
Redemption of Principal	1,335,757	-	70,200	60,000	-	1,465,957
Interest and Fiscal Charges	70,511	-	3,187	70,728	-	144,426
<b>Total Cash Disbursements</b>	<b>2,790,193</b>	<b>1,246,252</b>	<b>73,694</b>	<b>3,229,637</b>	<b>-</b>	<b>7,339,776</b>
Total Cash Receipts Over/(Under) Cash Disbursements	(1,074,278)	124,070	(69,892)	(2,613,120)	829	(3,632,391)
<b>Other Financing Receipts and (Disbursements):</b>						
Proceeds from Sale of Public Debt:						
Sale of Notes/Bonds	1,295,000	-	58,500	375,000	-	1,728,500
Loan Proceeds	-	-	-	279,326	-	279,326
Debt Premium	895	-	6	81	-	982
Transfers-In	-	-	14,614	2,786	-	17,400
Advances-In	1,500	1,500	-	-	-	3,000
Transfers-Out	(17,400)	-	-	-	-	(17,400)
Advances-Out	(3,500)	(1,500)	-	-	-	(5,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>1,276,495</b>	<b>-</b>	<b>73,120</b>	<b>657,193</b>	<b>-</b>	<b>2,006,808</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	202,217	124,070	3,228	(1,955,927)	829	(1,625,583)
Fund Cash Balances, January 1	125,029	304,408	72	2,230,150	16,032	2,675,691
Fund Cash Balances, December 31	\$ 327,246	428,478	3,300	274,223	16,861	1,050,108
Reserve for Encumbrances, December 31	\$ 12,023	\$ 113,336	\$ -	\$ 103,465	\$ -	\$ 228,824

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

**VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 1,769,788
Special Assessments	18,188
Interest	3,835
Miscellaneous	9,408
	<u>1,801,219</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	387,223
Contractual Services	919,925
Supplies & Maintenance	84,703
Maintenance	15,179
Capital Outlay	206,690
	<u>1,613,720</u>
Total Operating Cash Disbursements	<u>1,613,720</u>
Operating Income	<u>187,499</u>
<b>Non-Operating Cash Receipts:</b>	
Proceeds from Sale of Notes	1,299,741
Debt Premium	171
Proceeds from the Sale of Assets	2,022
	<u>1,301,934</u>
Total Non-Operating Cash Receipts	1,301,934
<b>Non-Operating Cash Disbursements:</b>	
Debt Service:	
Principal	1,342,564
Interest	100,374
	<u>1,442,938</u>
Total Non-Operating Cash Disbursements	<u>1,442,938</u>
Excess of Receipts/(Under) Disbursements Before Interfund Transfers & Advances	46,495
Transfers In	12,625
Advances In	2,000
Transfers Out	(12,625)
	<u>(12,625)</u>
Net Receipts Over/(Under) Disbursements	48,495
Fund Cash Balances, January 1	<u>967,654</u>
Fund Cash Balances, December 31	<u>\$ 1,016,149</u>
Reserve for Encumbrances, December 31	<u>\$ 196,854</u>

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

**VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Germantown, Montgomery County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Pursuant to the provisions of Article XVIII of the Constitution of Ohio, the voters of the Village adopted a charter for the government of the Village in 1976. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, refuse services, park operations, pool operations, police, fire and emergency medical services.

The Village's management believes these financial statements present all activities for which the Village 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 included in fund cash balances. 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.

Certificates of Deposit and U.S. Government Security Notes are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund 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 Village had the following significant Special Revenue Funds:

**Senior Citizens Center Fund** -This fund receives levied tax money from German Township for the construction and operation of a community Senior Citizens Center.

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

**VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Motor Vehicle License Tax Fund** - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**Street Lighting Fund** – This fund receives real estate tax money for the equipping, maintaining and repairing of the Village street lights.

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

**Fire Services Fund** – This fund receives levied tax money from German Township to provide fire protection services.

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

**3. Debt Service Fund**

This fund is used to accumulate resources for the payment of bond and note indebtedness. The Village had the following significant debt service fund:

**Warren Street Reconstruction Fund** – This fund receives transfers from the General Fund and proceeds from the reissuance of debt to provide for annual debt payments on bond anticipation notes.

**4. Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital projects funds:

**Parks Capital Improvement Fund** – This fund receives proceeds from the sale of permits. This fund provides for the maintenance and improvement of the Village Park.

**Pool Capital Improvement Fund** – This fund receives levied tax money from German Township for the maintenance and improvement of the swimming pool.

**5. Enterprise Funds**

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

**Water Fund** - This fund receives charges for services from residents to cover the cost of providing this utility.

**Sewer Fund** - This fund receives charges for services from residents to cover the cost of providing this utility.

**Refuse Fund** – This fund receives charges for services from residents to cover the cost of providing this utility.

**Swimming Pool** – This fund receives charges for services from residents and intergovernmental revenues to cover the cost of providing this service.

**VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Water Capital Improvement** – This fund receives proceeds from the sale of permits and tap fees. This fund provides for the improving and maintenance of the water department.

**Sewer Capital Improvement** – This fund receives proceeds from the sale of permits and tap fees. This fund provides for the improving and maintenance of the sewer department.

**6. Permanent Fund**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a permanent fund. The Village had the following significant permanent fund:

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

**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 object by department level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2008 and 2007 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.

**G. Unpaid Vacation and Sick Leave**

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

**VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village 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, 2008 and 2007 was as follows:

	2008	2007
Demand deposits	\$ 262,388	\$ (5,679)
Certificates of deposit	1,031,693	485,362
Total deposits	1,294,081	479,683
U.S. Government Securities	136,030	770,429
STAR Ohio	430,378	816,145
Total investments	566,408	1,586,574
Total deposits and investments	\$1,860,489	\$2,066,257

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

**Investments:** Federal Agency Instruments are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The Financial Institution maintains records identifying the Village as owner of these securities. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,527,318	\$2,763,929	\$236,611
Special Revenue	1,421,644	1,503,383	81,739
Debt Service	64,413	110,413	46,000
Capital Projects	299,323	464,172	164,849
Enterprise	1,920,078	1,992,645	72,567
Permanent	430	432	2
Total	\$6,233,206	\$6,834,974	\$601,678

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,355,249	\$2,545,005	(\$189,756)
Special Revenue	1,573,361	1,639,986	(66,625)
Debt Service	67,710	113,709	(45,999)
Capital Projects	685,485	678,727	6,758
Enterprise	2,189,593	2,236,330	(46,737)
Total	\$6,871,398	\$7,213,757	(\$342,359)

Expenditures and encumbrances exceeded appropriations, contrary to ORC Section 5705.41(B).



**VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**3. BUDGETARY ACTIVITY (Continued)**

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,966,124	\$3,013,310	\$47,186
Special Revenue	1,351,871	1,371,822	19,951
Debt Service	77,022	76,922	(100)
Capital Projects	1,276,049	1,273,710	(2,339)
Enterprise	3,109,513	3,117,778	8,265
Permanent	800	829	29
Total	<u>\$8,781,379</u>	<u>\$8,854,371</u>	<u>\$72,992</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,886,871	\$2,823,116	\$63,755
Special Revenue	1,477,260	1,361,088	116,172
Debt Service	73,760	73,694	66
Capital Projects	3,374,705	3,333,102	41,603
Enterprise	3,322,729	3,266,137	56,592
Total	<u>\$11,135,325</u>	<u>\$10,857,137</u>	<u>\$278,188</u>

Although actual receipts fell below budgetary estimates in the Debt Service and Capital Projects Fund Types, appropriations did not exceed actual resources and a reduced amended certificate was not required.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. 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 payments, the first half is due December 31. The second half payment is due the following June 20.

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

**5. LOCAL INCOME TAX**

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

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

**VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**6. DEBT**

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Municipal Building Bonds, Series 2007A	\$ 700,000	4.125% - 4.25%
Ohio Public Works Commission (OPWC) Project #CT08D	92,270	0.01%
Ohio Public Works Commission (OPWC) Project #CT08F	113,938	0.01%
Ohio Public Works Commission (OPWC) Project #CD08J	61,308	0.00%
Ohio Public Works Commission (OPWC) Project #CD02J	41,259	0.00%
Ohio Public Works Commission (OPWC) Project #CD04J	66,534	0.00%
Ohio Public Works Commission (OPWC) Project #CD06J	77,134	0.00%
Ohio Public Works Commission (OPWC) Project #CD02L	81,825	0.00%
General Obligation Bonds	30,000	5.69%
General Obligation Notes	2,602,880	1.74% - 5.54%
Mortgage Revenue Bonds	874,000	5.0%
Sanitary Sewer Bonds, Series 2007A	65,000	4.125% - 4.25%
Northeast Waterline Bonds, Series 2007A	80,000	4.125% - 4.25%
Advance Refunding Bonds, Series 2007A	860,000	4.0% - 4.25%
Sanitary Sewer System Improvement Bonds	<u>85,000</u>	3.5% - 4.0%
Total	<u>\$5,831,148</u>	

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

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

Outstanding OPWC notes (Project #CT08F) consist of a loan to fund the water booster station improvements. The debt will be repaid from revenues of the Village's water system.

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

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

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

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

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

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

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

**VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**6. DEBT (Continued)**

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

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

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

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

Amortization of the above debt, including interest, of \$1,592,977 is scheduled as follows:

	<b>Municipal Building Bonds</b>	<b>Dry Run Sewer Bonds</b>	<b>NE Waterline Connector Bonds</b>	<b>General Obligation Bonds</b>	<b>General Obligation Notes</b>	<b>Mortgage Revenue Bonds</b>	<b>Sanitary Sewer Improvement Bond</b>
2009	54,550	28,275	23,365	6,830	1,261,038	88,700	41,329
2010	53,519	32,400	22,540	6,525	191,028	88,450	41,122
2011	52,469	31,200	21,700	6,220	215,653	88,100	40,913
2012	56,406	-	20,850	5,915	228,833	88,650	75,700
2013	55,131	-	-	5,610	251,045	88,050	74,000
2014 - 2018	271,506	-	-	5,305	875,799	441,750	368,850
2019 - 2023	273,000	-	-	-	-	341,200	367,225
2024 - 2028	216,038	-	-	-	-	-	293,900
	<u>\$ 1,032,619</u>	<u>\$ 91,875</u>	<u>\$ 88,455</u>	<u>\$ 36,405</u>	<u>\$3,023,396</u>	<u>\$ 1,224,900</u>	<u>\$ 1,303,039</u>

	<b>OPWC #CD02J</b>	<b>OPWC #CT08F</b>	<b>OPWC #CT08D</b>	<b>OPWC #CD04J</b>	<b>OPWC #CD06J</b>	<b>OPWC #CD08J</b>	<b>OPWC #CD02L</b>	<b>Sewer System Improvement Bond</b>
2009	\$ 5,157	\$ 7,507	\$ 6,852	\$ 7,394	\$ 8,570	\$ 6,812	\$ 8,183	\$ 17,736
2010	5,158	7,507	6,852	7,394	8,571	6,812	8,182	17,118
2011	5,157	7,508	6,852	7,393	8,570	6,812	8,183	16,487
2012	5,158	7,508	6,867	7,394	8,571	6,812	8,182	20,850
2013	5,157	7,508	6,837	7,394	8,570	6,812	8,183	-
2014 - 2018	15,472	37,539	34,359	29,565	34,282	27,248	40,912	-
2019 - 2023	-	37,393	30,832	-	-	-	-	-
2024 - 2028	-	11,264	-	-	-	-	-	-
	<u>\$ 41,259</u>	<u>\$ 123,734</u>	<u>\$ 99,451</u>	<u>\$ 66,534</u>	<u>\$ 77,134</u>	<u>\$ 61,308</u>	<u>\$ 81,825</u>	<u>\$ 72,191</u>

**VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**7. DEFINED BENEFIT PENSION PLANS**

A. Ohio Public Employees Retirement System

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar to the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The Village's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the Village's contribution was 17.4 percent of covered payroll.

The Village's required contributions for pension obligations to the traditional pension and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$128,506, \$120,095, and \$113,874, respectively; 100 percent has been contributed for all years. No contributions to the member-directed plan were made during 2008.

B. Ohio Police and Fire Pension Fund

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The Village's contribution was 19.5 percent for police officers and 24.0 percent for firefighters. The Village has no full-time firefighters. Contribution rates are established by State statute. For 2008, a portion of the Village's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The Village's pension contributions to OP&F for police were \$102,241 for the year ended December 31, 2008, \$99,630 for the year ended December 31, 2007, and \$88,902 for the year ended December 31, 2006. The full amount has been contributed for 2008, 2007 and 2006.

**VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**8. POST-EMPLOYMENT BENEFITS**

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in OPERS' financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employees fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional pension and combined plans is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, state and local government employers contributed at a rate of 14.0 percent of covered payroll (17.40 percent for public safety and law enforcement). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. For 2008, the amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$8,995, \$6,605, and \$5,124, respectively; 100 percent has been contributed for all years.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**8. POST EMPLOYMENT BENEFITS (Continued)**

B. Ohio Police and Fire Pension Fund

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing, multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&B Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - OP&F's post-employment health care plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit plan, under the authority granted by the Ohio Revised code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F which were allocated to fund post-employment health care benefits for police were \$6,901 for the year ended December 31, 2008, \$5,480 for the year ended December 31, 2007, and \$4,001 for the year ended December 31, 2006. The full amount has been contributed for all years.

**VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**9. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 700 Ohio governments (“Members”)

Pursuant to section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member’s needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member’s deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007.

	<b>2008</b>	<b>2007</b>
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members’ Equity	<u>\$5,184,333</u>	<u>\$6,862,902</u>

You can read the complete audited financial statements for the Ohio Government Risk Management Plan at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**10. CONTRACT COMMITMENTS**

The Village had the following contractual commitments at December 31, 2008.

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Outstanding Balance</u>
Bearcreek Woodworks	77,502	32,358	45,144
Associate Construction	2,141,236	2,028,947	112,289

**VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**11. COMPLIANCE**

- The Village did not obtain the certification of available funds from the fiscal officer, prior to obligating Village funds for purchases as required by Ohio Revised Code Section 5705.41(D).
- The Village did not maintain an accounting system sufficient to properly record and report the financial transactions of the Village as required by Ohio Administrative Code Section 117-2.02A.
- The Village had encumbrances and expenditures whose sum exceeded appropriations, contrary to the provisions of Ohio Revised Code Section 5705.41(B).
- The Village did not keep the books of the Village in a manner to accurately reflect the monies received and expended of the funds of the Village as required by Ohio Revised Code Section 733.28.
- Village records for leave forms, utility adjustments, income tax returns and adjustments, and miscellaneous invoice journal reports were not maintained or retained by the Village as required by Ohio Revised Code Section 149.351.
- Returned check charge amounts did not agree with the amounts contained in the Village's Codified Ordinances Section 101.08.
- The Village did not make deposits to the Village bank in the time frame required in the Village's Codified Ordinances Section 135.18.
- Tax assessments and late penalties were not applied consistently with the requirements of the Village's Codified Ordinances Section 181.03.
- Employer income tax payments did not consistently follow the requirements of the Village's Codified Ordinances Section 181.06(a)(1).
- Evidence of necessity for utility billing adjustments were not retained as required by the Village's Codified Ordinances Section 919.08.





**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Members of Council  
Village of Germantown  
75 North Walnut Street  
Germantown, Ohio 45327

We have audited the accompanying financial statements of the Village of Germantown, Montgomery County, Ohio, (the Village), as of and for the years ended December 31, 2008 and 2007 and have issued our report thereon dated March 2, 2011, wherein we noted the Village follows the accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted on the United States of America, and that we were unable to satisfy ourselves as to the accuracy of the Village income tax and utility billing receipts for the years ended December 31, 2008 and 2007. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-consequential financial statement misstatement.

We consider findings 2008/2007-001 through 2008/2007-026 described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

### **Internal Control Over Financial Reporting (Continued)**

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings 2008/2007-001 through 2008/2007-016 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated March 2, 2011.


### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2008/2007-001 through 2008/2007-010.

We also noted certain noncompliance not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 2, 2011.

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

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



Balestra, Harr & Scherer, CPAs, Inc.

March 2, 2011

VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**FINDING NUMBER 2008/2007-001**

**Material Noncompliance/ Material Weakness**

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This section also provides two exceptions to the above requirement:

- Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time or the certificate, appropriated and free of any previous encumbrances, the (entity) may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- If the amount involved is less than three thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the (legislative authority) upon completion of a then and now certificate.

Several transactions tested had no certification attached and some transactions were not certified prior to the purchase commitment. There was no indication that “then and now” certificates were used.

The Village should issue a valid purchase order with the signature of the fiscal officer prior to making any purchase commitment. In those events when commitments are made prior to obtaining the fiscal officer’s certificate, the Village should employ the allowable provision of law under this section, Ohio Revised Code Section 5705.41(D), and secure a “then and now” certificate. This matter was cited in the prior audit.

**Client Response:** The Village will implement procedures to ensure that the certificate of the fiscal officer is obtained before funds are obligated for disbursement.

**FINDING NUMBER 2008/2007-002**

**Material Noncompliance/ Material Weakness**

Ohio Administrative Code Section 117-2-02A directs all public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, and analyze, classify, record and report its transactions, maintain accountability for the related assets, and prepare financial statements required by Rule 117-2-03 of the OAC. OAC Section 117-2-02D allows the records to be maintained manually or in a computerized format and requires the following: 1) Cash journal with the amount, date, receipts number, check number, account code and any other information necessary to properly classify the transaction; 2) Receipts ledger to assemble and classify receipts into separate accounts for each type of receipt of each fund consisting of the amount, date, name of the payer, purpose, receipt number and other information necessary to record the transaction on this ledger, and; 3) Appropriation ledger to assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriations resolution. The amount, date, fund, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursements, uncommitted balance of appropriations and any other information required may be inter in the appropriate columns.

VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**FINDING NUMBER 2008/2007-002 (Continued)**

**Material Noncompliance/ Material Weakness (Continued)**

The Village audit was initially suspended, pending the results of a special investigation. For the two year period, the Finance Director did not prepare bank reconciliations. The Village continued to report activity of certain Enterprise funds in the Capital Projects Fund Type and in the Debt Service Fund Type even though audit reclassifications were made in the prior audit to correctly state these three fund types.

A review of receipts indicated numerous classification errors as to the type of receipt. A review of debt payments indicated several errors in the classification of these payments between principal payments and interest on the debt.

The fact that the posting errors resulting in reclassification and adjusting entries occurred indicates a significant deficiency in the internal controls of financial record keeping and reporting and resulted in the inaccurate reflection of the receipts and disbursements of the Village for 2008 and 2007.

We recommend the Finance Director review the requirements of OAC Section 117-2-02 and the description of the accounts and to maintain the receipt ledger, appropriation ledger, and cash journal in the manner prescribed therein. We also recommend that Village bank reconciliations be performed monthly.

**Client Response:** The Finance Director will review the requirements of OAC Section 117-2-02. The Village has or is in the process of addressing all of the issues indicated.

**FINDING NUMBER 2008/2007-003**

**Material Noncompliance/ Material Weakness**

Ohio Revised Code Section 733.28 states that the Village clerk shall keep the books of the Village, exhibit accurate statements of all monies received and expended, of all the property owned by the Village and the income derived there from, and of all taxes and assessments.

We noted the following in examining the Village's ledgers:

- Utility receipts posted to the utility system contained keying errors and the wrong type of tender received for payment.
- An explanation of 298 negative utility customer account adjustments was not recorded in the utility system.
- Tax returns and employee withholding remittance forms were not filed or maintained.
- Payments received, deposits made, and manual receipts issued were recorded incorrectly or not posted in the income tax system.
- Refund checks posted to the income tax system were not issued in numerical sequence with Village checks issued during the same period.
- Annual employer withholding reconciliations were not maintained, filed, or entered into the income tax system for 2,340 of employer remittances received.

Failure to accurately record payments and revenues received, funds expended, and maintain appropriate supporting documentation prevented the Village from verifying funds received were deposited and funds expended were for Village operations.

We recommend the Village accurately record funds received and expended in the utility, income tax, and finance systems to ensure Village bank account activity is reflected in the Village's ledgers and supported by documentation maintained in its files.

**Client Response:** The Village chose not to respond to this finding.

VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY  
  
SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**FINDING NUMBER 2008/2007-004**

**Material Noncompliance/ Material Weakness**

Ohio Revised Code Section 149.351 provides in part that the records are the property of the public office concerned, and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole, or in part except as provided by law under the rules adopted by the records commissions.

The Village was unable to provide leave forms, utility stubs, adjustment journal reports, miscellaneous invoice journal reports, tax refund supporting documents, and certain tax returns, all of which were required to be maintained in accordance with the Village's records retention schedule.

Failure to maintain these records prevented the Village from determining whether leave paid, negative utility account adjustments, miscellaneous invoice credits, and income tax refunds were authorized and necessary Village actions.

We recommend the Village maintain records in an organized manner and in accordance with its records retention schedule.

**Client Response:** The Village chose not to respond to this finding.

**FINDING NUMBER 2008/2007-005**

**Material Noncompliance/ Material Weakness**

Codified Ordinances Section 101.08 states that the Village shall assess a handling charge of \$20 to any person, corporation, association, or other entity for any check submitted to the Village which is not honored by the bank for any reasons and the amount for which such check was submitted for payment will revert to the same status as though no payment was received.

The Village charged varying amounts for returned check fees ranging from \$0 to \$20 plus an additional \$10 bank fee. The returned checks and fees were not recorded consistently in the utility, income tax, and finance systems. Failure to charge fees in accordance with this ordinance may result in lost revenue to the Village and could result in inaccurate customer account balances.

We recommend the Village charge for returned checks in accordance with its codified ordinances.

**Client Response:** The Village chose not to respond to this finding.

VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**FINDING NUMBER 2008/2007-006**

**Material Noncompliance/ Material Weakness**

Codified Ordinances Section 135.18 states that the Finance Director of the Municipality of Germantown shall deposit all public funds received into the Municipality of Germantown's bank account on the next business day following the day of receipt. If the total of such monies received is less than one thousand dollars, the Finance Director shall deposit the public funds within three business days following the receipt of such funds.

Village funds were not deposited for up to 23 days after being collected. Failure to deposit these funds in a timely manner increases their susceptibility to loss due to fraud or theft.

We recommend the Village deposit funds in accordance with its codified ordinance.

**Client Response:** The Village chose not to respond to this finding.

**FINDING NUMBER 2008/2007-007**

**Material Noncompliance/ Material Weakness**

Codified Ordinances Section 181.03 requires taxes to be assessed at a rate of 1.25% per annum upon individuals working within the Village limits for more than 12 days in a calendar year. Section 181.05(a) requires a taxpayer to prepare and file a return "on or before April 30 of the year thereafter" regardless of whether any tax is due. Section 181.10 requires the assessment of penalties and interest charges for balances not paid in full by April 15<sup>th</sup>.

In many cases, we were unable to determine whether a late penalty should be assessed because the Village did not document when the return was received or a return was not filed as required by Section 181.05(a). Because they did not document when the return was received and delays incurred in posting taxpayer returns and remittances received, the Village did not consistently assess penalties and interest on outstanding amounts due. During our examination of 3,152 returns reflecting taxes owed to the Village, we noted tax returns with taxes due were not assessed late penalties or interest and in other cases tax returns filed late were assessed penalties and interest. We also noted the Village did not have procedures to identify new utility customer accounts residing within the Village limits which should have an income tax account established. Failing to verify taxpayers filed the required return and to assess required interest and penalties on late filings and payments can result in inaccurate account balances and the Village losing revenue lawfully due them.

To assure the Village collects income tax payments due to them, we recommend the Village:

- Compare new utility customer accounts to income tax accounts to identify potential new income tax filers and implement a process requiring the utility department to notify the income tax department each time a new utility account is established to allow for the creation of a new taxpayer account.
- Generate a report from the income tax system to identify returns not submitted by April 30<sup>th</sup> and unpaid taxes as of April 15<sup>th</sup>.
- Assess the applicable interest, penalties, and late fees for each identified account and notify the taxpayer of the amount due the Village.
- Consult the Village solicitor to determine legal action to be taken to collect past due amounts.

**Client Response:** The Village chose not to respond to this finding.

VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**FINDING NUMBER 2008/2007-008**

**Material Noncompliance/ Material Weakness**

Codified Ordinances Section 181.06(a)(1) state in part that each employer shall on or before the fifteenth day of each month, make a return and pay to the Superintendent, the tax withheld during the preceding month. However, the Superintendent shall have the authority to approve the filing of returns and payment of the tax withheld on a quarterly basis. In such case, the employer shall, on or before the fifteenth day of each month following the calendar quarters ending March 31, June 30, September 30, and December 31, make a return and pay to the Superintendent the tax withheld during the preceding calendar quarter. The Superintendent shall provide by regulations, the manner in which approval is to be granted or withdrawn.

Village officials stated they were unaware of a requirement documenting the frequency employers were required to remit employer withholdings and allowing employees to make this determination. Failure to approve quarterly remittances and monitor employer payments can result in inaccurate employer account balances and lost revenue due to an employer's failure to remit employee withholdings.

We recommend the Village establish guidelines when approval should be granted and the method for documenting their approval for quarterly remittances. In addition, an individual independent of the collection process should monitor employer remittances and determine whether the prior approval should be revoked for untimely or nonpayment of quarterly withholdings.

**Client Response:** The Village chose not to respond to this finding.

**FINDING NUMBER 2008/2007-009**

**Material Noncompliance/ Material Weakness**

Codified Ordinances Section 919.08 states that no utility bill will be adjusted without some factual evidence that would establish that the consumer has not received the service for which he has been billed.

Of the 326 utility adjustments posted, 254 were not supported by factual evidence. None of the adjustments reflected supervisory approval. The utility clerk also posted 223 negative miscellaneous invoices reducing customer account balances with no explanation or supporting documentation maintained indicating the transaction was a valid Village action.

Failure to obtain documentation supporting utility adjustments can result in unwarranted and unauthorized transactions being posted to customer utility accounts thereby increasing the risk of inaccurate account balances and the potential for lost revenue due to theft or errors.

We recommend the Village ensure only necessary and authorized customer utility account adjustments and credits are posted.

**Client Response:** The Village chose not to respond to this finding.

VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**FINDING NUMBER 2008/2007-010**

**Material Noncompliance/ Material Weakness**

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

In 2008, expenditures exceeded appropriations in the General, Street, State Highway, Walnut Street Reconstruction, Pool Capital Levy, Sidewalk Improvement, Recreation, and South Butter Street Sanitary Sewer Funds.

**Client Response:** The Village chose not to respond to this finding.

**FINDING NUMBER 2008/2007-011**

**Material Weakness – Segregation of Duties**

The deputy finance director and utility clerk were responsible for collecting, posting, and depositing funds received for income tax and utility payments. In addition, the deputy finance director also prepared checks for income tax refunds, invoices, and payroll. The lack of segregation of duties may prevent the detection of errors and/or irregularities in a timely manner.

We recommend that duties be segregated to ensure that no single individual has control over all phases of a transaction. In a small operation, such as the Village of Germantown, it is not always possible to have enough staff to properly segregate duties. Understanding this, Council members and management should take a more active role in monitoring transactions, such as examining canceled checks, reconciling utility and income tax systems to the finance system, reviewing monthly bank reconciliations, and requiring individuals independent of specific transactions periodically review the work performed for accuracy.

**Client Response:** The Village chose not to respond to this finding.

**FINDING NUMBER 2008/2007-012**

**Material Weakness – Utility System Postings**

The utility clerk purged four utility batch reports, voided three utility batch reports, and voided or deleted individual utility payment postings from the utility system. Documentation and explanations supporting the purging, deletion, and voiding of utility batches and individual utility payments were not maintained. Failure to maintain documentation, explanations, and obtain approval of voided, purged, or deleted payments or batches prevents the detection of lost utility collections due to fraud or theft.

We recommend the utility clerk document the reason for voided, deleted, or purged transactions and batches from the utility system, provide explanations and supporting documentation to management, and obtain supervisory approval. Periodically, an individual independent of the utility collection process should review voided or deleted transactions and batches to ensure the transactions and batches are accounted for, gaps in the numerical transaction and batch sequence are supported by documentation explaining the reason for the void or deletion, and required supervisory approval was obtained.

**Client Response:** The Village chose not to respond to this finding.



VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**FINDING NUMBER 2008/2007-013**

**Material Weakness – Cashing Personal Checks**

The Village permitted residents to issue checks to the Village in excess of the utility amount due and returned the difference to the resident in cash. By cashing personal and third party checks, the Village increases its exposure to loss due to returned bad checks and related returned check fee charges.

We recommend the Village discontinue the practice of allowing residents to write checks for more than the amount due and returning the excess in cash. The Village should establish a policy requiring the posting of any excess payments as a credit to the customer's utility account or require excess payments be returned using a Village check.

**Client Response:** The Village chose not to respond to this finding.

**FINDING NUMBER 2008/2007-014**

**Material Weakness – Regional Income Tax Agency (RITA)**

The deputy finance director was responsible for the collecting, posting and monitoring income tax funds received throughout the year from residents, businesses, and employers. In addition, the deputy finance director was also responsible for processing, posting and issuing payroll and non-payroll checks. These additional duties resulted in posting delays of the returns received for up to six months and resulted in the Village not assessing late fees, penalties, and interest against delinquent accounts. Failing to timely post returns and payments received, monitor collections, and assess the appropriate late fees, interest, and penalties can result in lost Village revenue which could be used to provide other taxpayer services.

We recommend the Village consider the benefits and disadvantages of hiring a third party service provider such as Regional Income Tax Agency (RITA). Use of a third party service provider could increase collections, allow for the active pursuit of delinquencies, and provide professional management and technical assistance. If the Village chooses not to use a third party administrator, they should reassess staffing levels, job duties, and policies in place to ensure the Village has procedures to collect taxes owed, post payments timely, and assess interest and penalties as required by Village ordinances.

**Client Response:** The Village chose not to respond to this finding.

**FINDING NUMBER 2008/2007-015**

**Material Weakness – Income Tax Credits**

Information from income tax returns should be entered into the income tax system in a timely manner and credits earned from a previous tax year should be applied prior to calculating refunds or credits owed to the taxpayer. Documentation was not maintained supporting the calculation of 33 credits totaling \$5,616, credits were calculated incorrectly, were not applied to the next tax year, and in some cases were not posted to the income tax system. We also noted in our review of the 1099G reports that issued credits were reported to the Internal Revenue Service for tax years prior to the report year, credits should have been included on the report but were not, and credits were improperly reported.

VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**FINDING NUMBER 2008/2007-015 (Continued)**

**Material Weakness – Income Tax Credits (Continued)**

Failure to maintain accurate records supporting the credit calculation can result in credits not being issued when required, can result in unauthorized credits being issued to taxpayers, and can result in fines assessed by the Internal Revenue Service for filing inaccurate 1099G reports. When posting a return in the income tax system, we recommend the Village review the taxpayer's account for prior tax year credits, verify the taxpayer included the credit in his or her calculation, and document changes made to the income tax return to include prior year credits. We have provided the Village with a listing of credits requiring further review to determine whether the credit is valid and should have been reported to the Internal Revenue Service.

**Client Response:** The Village chose not to respond to this finding.

**FINDING NUMBER 2008/2007-016**

**Material Weakness – Employer Annual Withholding Reconciliations**

At the end of each calendar year, employers remit an annual reconciliation form documenting amounts remitted for the year. The deputy finance director often did not record the annual reconciliations received in the income tax system to ensure remitted withholdings were posted and deposited. For tax years 2007 and 2008, 2,340 monthly and quarterly employer withholding remittances reported on an annual reconciliation were not reconciled in the income tax system. Failure to post reconciliations in the income tax system led to the Village's inability to determine the accuracy of their income tax records and prevented the Village from determining whether payments sent to them were received and deposited.

We recommend the Village post annual reconciliations in the income tax system and resolve any discrepancies. An individual independent of this process should generate a report from the income tax system identifying employers who have not submitted their annual reconciliation and contact those employers to determine whether any activity existed requiring the filing of the annual reconciliation.

**Client Response:** The Village chose not to respond to this finding.

**FINDING NUMBER 2008/2007-017**

**Significant Deficiency – Operational Policies and Procedures Manual**

The Village does not have a policy and procedures manual documenting processes to be followed when posting utility and income tax collections, adjusting utility and income tax customer accounts, issuing miscellaneous invoice credits, depositing funds, and issuing checks for both payroll and non-payroll transactions. Without written policies and procedures employees may interpret standard practices incorrectly resulting in inaccurate, inconsistent and undesirable results.

We recommend the Village develop an operational policy and procedure manual addressing these areas. Additionally, the Village should develop job descriptions identifying each employee's responsibilities to ensure adequate segregation of duties.

**Client Response:** The Village chose not to respond to this finding.

VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**FINDING NUMBER 2008/2007-018**

**Significant Deficiency – Employee Training on Utility, Income Tax, and Finance Accounting Software**

Village employees do not have a thorough understanding of the capabilities of the income tax, utilities, and finance systems. During our special audit, Village employees were often unable to generate reports to provide requested information and in many cases could not explain transactions reflected on customer account histories. Lack of knowledge and training of employees and managers limits their ability to use the system to its fullest capabilities and hinders management's ability to adequately review transactions for accuracy.

We recommend the Village train all income tax, utility, and finance employees on software used to record financial activity and require attendance at training courses when hired or after an upgrade.

**Client Response:** The Village is in the process of changing to a system that will incorporate the needs of the Utility, Income Tax, and Financial Accounting into one software system.

**FINDING NUMBER 2008/2007-019**

**Significant Deficiency – Deposit Slips**

Each department collecting payments prepared its own deposit slip to deposit funds into the Village's bank account. However, the deposit slip did not reflect who prepared it and who deposited the funds. In some instances there was no documentation supporting repayment of returned checks or the source of the funds deposited. Failing to maintain documentation supporting the amount deposited and its source limits the Village's ability to identify the amount collected for deposit, who last had the funds, who made the deposit, and who to contact when the bank identifies deposit discrepancies.

We recommend the Village require the employee preparing the deposit slip to affix their initials on the deposit slip as preparer and maintain sufficient documentation in the monthly deposit folder identifying the source and amount of funds received for deposit.

**Client Response:** The Village chose not to respond to this finding.

**FINDING NUMBER 2008/2007-020**

**Significant Deficiency – Computer Systems**

The Village uses a separate computer system to record the receipt of income tax and utility payments. A daily receipt journal is generated from each system supporting payments deposited. No reconciliation was performed between the utility and income tax systems to the finance system to verify payments collected per these two systems were reflected in the Village's receipt ledgers. Failure to perform this reconciliation prevents the Village from ensuring payments collected by the utility and income tax departments were posted to the Village receipt ledger and subsequently deposited.

We recommend an individual independent of the collections process reconcile total collections per the utility and income tax systems on a monthly basis to postings in the finance system and deposits into the bank account to ensure payments collected were posted to the receipt ledger and deposited.

**Client Response:** The Village is in the process of changing to a system that will incorporate the needs of the Utility, Income Tax, and Financial Accounting into one system.

VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**FINDING NUMBER 2008/2007-021**

**Significant Deficiency – Pool Receipts**

Council approved daily admission, annual pool pass, and pool rental rates. Each day a reconciliation sheet documenting the sale of admissions and concessions was provided to the Finance Office with the deposit slip. We noted the daily sheets did not reconcile to collections deposited, daycare participant pool admissions and pool passes purchased after Memorial Day were charged contrary to Council-authorized rates, and pool rental and daycare pool admission receipts were incorrectly posted to the miscellaneous receipt line item. Failure to charge council-approved rates, reconcile collections to supporting documentation, and post receipts to the appropriate line item limits management's ability to determine the pool's profitability and may result in less revenue to operate the pool due to incorrect charging of rates or potential theft of receipts.

We recommend the Village require the pool management company to obtain approval prior to charging rates contrary to those approved by Council. Upon receipt of pool revenue, the finance director should reconcile amounts deposited to those collected per the pay-in sheets and post revenues to the pool fund based on their source.

**Client Response:** The Village chose not to respond to this finding.

**FINDING NUMBER 2008/2007-022**

**Significant Deficiency – Voiding Manual Receipts**

Village employees did not document a reason for voiding manual receipts, did not maintain voided receipt copies, and did not obtain supervisory approval for voids. Failing to document and obtain approval of the reason for voiding the receipt prevents the Village from determining whether the void was for a valid Village action.

We recommend the Village document the reason for voiding each receipt and obtain supervisory approval for the voided receipt.

**Client Response:** The Village chose not to respond to this finding.

**FINDING NUMBER 2008/2007-023**

**Significant Deficiency – Type of Tender Received**

Utility payments posted in the utility system did not reflect the type of tender received in 2,949 instances and in 34 instances reflected the wrong type of tender received. As such, the Village was unable to reconcile the tender received per the utility system to the tender deposited thereby ensuring funds collected were deposited intact. Inaccurately or not recording the type of tender received in the utility system prevents the detection of checks deposited in the place of cash to conceal theft or fraud.

We recommend the utility clerk record the type of tender received for each utility payment in the utility system. At the end of each day an individual independent of the receipting process should verify the tender reflected on the Daily Receipt Journal agrees to the tender to be deposited.

**Client Response:** The Village chose not to respond to this finding.

VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**FINDING NUMBER 2008/2007-024**

**Significant Deficiency – Tax Return Preparation**

The Village prepared residents' income tax returns at the Village offices at no charge. The employee preparing the residential return was also responsible for collecting, posting, and preparing the income tax deposit. Village employees preparing and collecting residential tax payments may be perceived as having a conflict of interest and may prohibit the Village from detecting errors, irregularities, and theft of income tax revenues resulting from inflated or inaccurate tax payments calculated by the Village employee.

We recommend the Village discontinue this practice and adopt a policy prohibiting Village employees involved in the collection, posting, and depositing of income tax monies from preparing residential tax returns.

**Client Response:** The Village chose not to respond to this finding.

**FINDING NUMBER 2008/2007-025**

**Significant Deficiency – Memo Expenditures**

The Finance Office issued 240 hard-copy checks to document electronic payments and 488 checks to document the movement of funds between bank accounts and Village departments. These manual checks were issued to ensure the transactions were posted to the Village's expenditure ledger. Issuing checks which are not meant to be cashed increases the risk of those checks mistakenly being cashed, thereby resulting in a duplicate payment.

We recommend the Village issue memo checks using the available memo check module in the finance system to record electronic payments or payments between departments at the time they are made.

**Client Response:** The Village chose not to respond to this finding.

**FINDING NUMBER 2008/2007-026**

**Significant Deficiency – Voiding Checks**

Instead of voiding and reissuing a lost original check in the finance system, the Finance Office issued a manual check to the employee or vendor and did not void the original check in the finance system. Once the manual check cleared the bank, the original check was marked as reconciled in the finance system. Failing to void the original check and issuing the replacement check using the finance system will result in inaccurate outstanding check list information, prevents the Village from reconciling expenditure ledger information to bank account activity, and may result in the loss of Village funds should the original and the replacement check both be cashed by the bank.

When issuing a replacement check, we recommend the Finance Office void the original check and issue a replacement check using the finance system. A list of voided checks should be maintained and compared to the monthly bank statements to ensure the originally issued checks did not clear the Village's bank account.

**Client Response:** The Village chose not to respond to this finding.

**VILLAGE OF GERMANTOWN  
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005/2006-001	ORC 5705.36 Budgeted receipts exceeded actual receipts	Yes	
2005/2006-002	Failure to maintain records in the income tax department	No	Reissued as 2008/2007-003
2005/2006-003	Recording activity of certain Enterprise funds in the Capital Projects Fund Type and the Debt Service Fund Type.	No	Reissued as 2008/2007-002



# Dave Yost • Auditor of State

VILLAGE OF GERMANTOWN

MONTGOMERY COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 17, 2011