

**German Township
Clark County, Ohio
Financial Statements
December 31, 2011 and 2010**



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of German Township, Clark County, prepared by Taylor, Applegate, Hughes & Associates, Ltd., for the audit period January 1, 2010 through December 31, 2011. 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 Auditors' 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 Auditors' 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. German Township is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

November 2, 2012

THIS PAGE WAS INTENTIONALLY LEFT BLANK

**German Township
Clark County, Ohio**

Table of Contents

<u>Title</u>	<u>Page</u>
Independent Auditors' Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2011	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2010	4
Notes to the Financial Statements	5
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	19

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITORS' 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, Ohio, (the Township), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effect of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of German Township, Clark County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 German Township, Clark County, adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 4, 2012, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of than audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Taylor, Applegate, Hughes & Assoc., Ltd.

Taylor, Applegate, Hughes and Associates, Ltd.
June 4, 2012

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash Receipts:					
Property and Other Local Taxes	\$ 42,591	\$ 901,528	\$ -	\$ -	\$ 944,119
Intergovernmental	98,283	166,125	-	-	264,408
Charges for Services	-	175,981	28,300	-	204,281
Licenses, Permits, and Fees	84,525	4,600	-	-	89,125
Fines, Forfeitures, and Penalties	-	130,585	-	-	130,585
Earnings On Investments	3,894	10	-	1	3,905
Other Revenue	<u>36,846</u>	<u>118,533</u>	<u>480</u>	<u>-</u>	<u>155,859</u>
Total Cash Receipts	<u>266,139</u>	<u>1,497,362</u>	<u>28,780</u>	<u>1</u>	<u>1,792,282</u>
Cash Disbursements:					
Current:					
General Government	188,903	-	-	-	188,903
Public safety	-	884,432	-	-	884,432
Public works	-	340,881	-	-	340,881
Health	85	4,452	-	-	4,537
Capital Outlay	11,296	26,734	414,979	-	453,009
Debt Services:					
Redemption of Principle	61,175	71,651	-	-	132,826
Interest and Fiscal Charges	<u>16,593</u>	<u>12,753</u>	<u>-</u>	<u>-</u>	<u>29,346</u>
Total Cash Disbursements	<u>278,052</u>	<u>1,340,903</u>	<u>414,979</u>	<u>-</u>	<u>2,033,934</u>
Total Receipts Over/(Under) Disbursements	<u>(11,913)</u>	<u>156,459</u>	<u>(386,199)</u>	<u>1</u>	<u>(241,652)</u>
Other Financing Receipts and (Disbursements):					
Sale of Bonds	-	-	650,000	-	650,000
Other Debt Proceeds	-	425	-	-	425
Sale of Fixed Assets	14,500	-	22,600	-	37,100
Other Financing Sources	<u>632</u>	<u>149,029</u>	<u>-</u>	<u>-</u>	<u>149,661</u>
Total Other Financing Receipts/(Disbursements)	<u>15,132</u>	<u>149,454</u>	<u>672,600</u>	<u>-</u>	<u>837,186</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>3,219</u>	<u>305,913</u>	<u>286,401</u>	<u>1</u>	<u>595,534</u>
Fund cash balances, January 1, 2011	<u>\$ 306,614</u>	<u>\$ 1,111,475</u>	<u>\$ 15,871</u>	<u>\$ 2,854</u>	<u>\$ 1,436,814</u>
Fund cash balance, December 31, 2011					
Nonspendable				1,992	1,992
Restricted		1,417,388	302,272	863	1,720,523
Unassigned (Deficit)	<u>309,833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>309,833</u>
Fund cash balances, December 31, 2011	<u>\$ 309,833</u>	<u>\$ 1,417,388</u>	<u>\$ 302,272</u>	<u>\$ 2,855</u>	<u>\$ 2,032,348</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 BALANCE
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash Receipts:					
Property and Other Local Taxes	\$ 50,575	\$ 1,006,806	\$ -	\$ -	\$ 1,057,381
Intergovernmental	97,911	169,767	967,054	-	1,234,732
Charges for Services	-	192,142	28,300	-	220,442
Licenses, Permits, and Fees	120,707	3,400	-	-	124,107
Fines, Forfeitures, and Penalties	-	131,454	-	-	131,454
Earnings On Investments	15,802	2,724	-	68	18,594
Other Revenue	<u>9,556</u>	<u>24,677</u>	<u>-</u>	<u>-</u>	<u>34,233</u>
Total Cash Receipts	<u>294,551</u>	<u>1,530,970</u>	<u>995,354</u>	<u>68</u>	<u>2,820,943</u>
Cash Disbursements:					
Current:					
General Government	178,399	912	-	-	179,311
Public safety	-	892,567	-	-	892,567
Public works	-	620,834	-	-	620,834
Health	348	4,729	-	-	5,077
Capital Outlay	466,088	105,611	1,127,863	-	1,699,562
Debt Services:					
Redemption of Principle	13,290	-	-	-	13,290
Interest and Fiscal Charges	<u>19,419</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,419</u>
Total Cash Disbursements	<u>677,544</u>	<u>1,624,653</u>	<u>1,127,863</u>	<u>-</u>	<u>3,430,060</u>
Total Receipts Over/(Under) Disbursements	<u>(382,993)</u>	<u>(93,683)</u>	<u>(132,509)</u>	<u>68</u>	<u>(609,117)</u>
Other Financing Receipts and (Disbursements):					
Sale of Bonds	300,000	-	-	-	300,000
Other Financing Sources	14,906	-	-	-	14,906
Other Financing Uses	<u>-</u>	<u>(1,017)</u>	<u>-</u>	<u>-</u>	<u>(1,017)</u>
Total Other Financing Receipts/(Disbursements)	<u>314,906</u>	<u>(1,017)</u>	<u>-</u>	<u>-</u>	<u>313,889</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(68,087)</u>	<u>(94,700)</u>	<u>(132,509)</u>	<u>68</u>	<u>(295,228)</u>
Fund cash balances, January 1, 2010	<u>\$ 374,701</u>	<u>\$ 1,206,175</u>	<u>\$ 148,380</u>	<u>\$ 2,786</u>	<u>\$ 1,732,042</u>
Fund cash balances, December 31, 2010	<u>\$ 306,614</u>	<u>\$ 1,111,475</u>	<u>\$ 15,871</u>	<u>\$ 2,854</u>	<u>\$ 1,436,814</u>
Reserve for encumbrances, December 31, 2010	<u>\$ 2,142</u>	<u>\$ 14,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,820</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, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of German Township, Clark County, (the Township) as body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, police protection and emergency medical services.

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

B. Accounting Basis

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Township's accounting basis includes Investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains and losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost. 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 Funds

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

**GERMAN TOWNSHIP
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds

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

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

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

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

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

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

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

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

3. 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.

**GERMAN TOWNSHIP
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organization, or other governments which are not available to support the Township's own programs. The Township's private purpose trust fund is for the benefit of the cemetery.

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government.

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 the subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 4.

**GERMAN TOWNSHIP
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant and Equipment

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

**GERMAN TOWNSHIP
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. 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 liability under the Township's basis of accounting.

2. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS/FUND EQUITY

For fiscal year 2011, the Township reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	<u>2011</u>	<u>2010</u>
Demand deposits	<u>\$1,217,212</u>	<u>\$1,812,622</u>
Total deposits	<u>1,217,212</u>	<u>1,812,622</u>
 STAR Ohio	 <u>\$ 219,602</u>	 <u>\$ 219,726</u>
Total investments	<u>219,602</u>	<u>219,726</u>
Total deposits and investments	<u>\$1,436,814</u>	<u>\$2,032,348</u>

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

**GERMAN TOWNSHIP
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

4. BUDGETARY ACTIVITY

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

2011 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 177,321	\$ 281,271	\$103,950
Special Revenue	1,218,566	1,646,816	428,250
Capital Projects	356,798	701,380	344,582
Permanent	-0-	1	1
Total	<u>\$1,752,685</u>	<u>\$ 2,629,468</u>	<u>\$ 876,783</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 556,854	\$ 278,052	\$ 278,802
Special Revenue	2,074,923	1,340,903	734,020
Capital Projects	1,048,596	414,979	633,617
Permanent	-0-	-0-	0
Total	<u>\$3,680,373</u>	<u>\$ 2,033,934</u>	<u>\$1,646,439</u>

2010 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 606,238	\$ 609,457	\$ 3,219
Special Revenue	1,508,512	1,530,970	22,458
Capital Projects	995,354	995,354	0
Permanent	-0-	68	68
Total	<u>\$3,110,104</u>	<u>\$ 3,135,849</u>	<u>\$25,745</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 823,783	\$ 677,544	\$ 146,239
Special Revenue	2,609,981	1,625,670	984,311
Capital Projects	1,227,380	1,127,863	99,517
Permanent	-0-	-0-	0
Total	<u>\$4,661,144</u>	<u>\$ 3,431,077</u>	<u>\$1,230,067</u>

During 2011, appropriations exceeded the total certificate of estimated resources in the General Fund by \$167,716, Gasoline Fund by \$50,417, Road and Bridge Fund by \$320, Cemetery Fund by \$800, Police District Fund by \$52,708, Road District Fund by \$3,512, Permissive Motor Vehicle License Tax Fund by \$18,300, Capital Projects Fund - Capital Fire District by \$373,202 and Perpetual Care Bequest by \$81.

**GERMAN TOWNSHIP
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

4. BUDGETARY ACTIVITY (continued)

During 2010, the appropriations exceeded the total certificate of estimated resources in the Gasoline Fund by \$2,537, Cemetery Fund by \$2,400, Road District Fund by \$8,648, Permissive Motor Vehicle License Fund by \$9,740, Capital Projects-Public Works Commission Fund by \$31,946, and Capital Projects-Capital Fire by \$51,700 in 2010.

During 2011, appropriations exceeded total available resources in the Permissive Motor Vehicle License Tax Fund by \$139,038, Capital Projects – Capital Fire District by \$7,755.

During 2010, appropriations exceeded total available resources in the Gasoline Fund by \$2,420, Cemetery Fund by \$2,400, Road District Fund by \$8,648, the Permissive Motor Vehicle License Tax Fund by \$9,740, Capital Projects - Public Works Commission by \$31,946, and Capital Projects – Capital Fire District by \$51,700.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for application homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County February 12. If the property owner elects to make semiannual payment, the first payment is due February 12. The second half payment is due the following July 9.

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

6. DEBT

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds - Building	\$ 244,763	3.58%
General Obligation Bonds-Aerial truck	585,791	2.56%
Police Cruiser Note	7,729	3.90%
North Hampton Water Note	268,189	4.34%
North Hampton Water Note	114,495	1.50%
Total	<u>\$ 1,220,967</u>	

The Township issued general obligation bonds to finance the construction of a new township building.

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

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

**GERMAN TOWNSHIP
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

6. DEBT (continued)

The Township entered an agreement with the Village of North Hampton in 2005 for the Village to provide water service to Township residents at a cost of \$410,500. The Village financed the cost and the Township and began making semi-annual payments in 2008. The Township made payments of \$25,400 during 2008 and \$12,700 in 2009. During 2008 and into 2010 the interest rate was being reviewed by both parties which affected the amount of principal owed by the Township at December 31, 2009 and the amortization of the remaining balance. The Township agreed to the current interest rates in February 2012.

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

Year ending December 31:	Building General Obligation Bonds	Fire Truck General Obligation Bonds	Police Cruiser Note	North Hampton Water Note
2012	\$ 35,825	\$ 101,525	\$ 8,030	\$ 22,133
2013	35,825	101,524	0	22,133
2014	35,825	101,524	0	22,133
2015	35,825	101,524	0	22,133
2016	35,825	101,525	0	22,133
2017-2021	107,710	126,905	0	110,665
2022-2026	0	0	0	110,665
2027-2031	0	0	0	110,665
2032-2036	0	0	0	110,665
2037-2038	<u>0</u>	<u>0</u>	<u>0</u>	<u>44,266</u>
Total	<u>\$ 286,835</u>	<u>\$ 634,527</u>	<u>\$ 8,030</u>	<u>\$ 597,591</u>

7. RETIREMENT SYSTEMS

The Township's employees and officials belong to the Ohio Public Employees Retirement System (OPERS). Full-time police officers are part of OPERS-L and part-time police officers are part of OPERS-G. OPERS is cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, full-time police officers contributed 11.61 and 11.1 percent of their wages. For 2011 and 2010, the Township contributed to OPERS an amount equal to 18.1 percent and 17.87 percent of full-time police officers wages. All other OPERS members contributed 10.0 percent of their gross salaries. The Township contributed an amount equaling 14.0 percent respectively, of all other participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**GERMAN TOWNSHIP
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

8. RISK MANAGEMENT

Commercial Insurance

The Township had obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicle; 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 provides health coverage for an official through a private carrier.

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. American Risk Pooling consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$ 35,855,252	\$ 38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	<u>\$ 25,190,528</u>	<u>\$ 26,101,322</u>

**GERMAN TOWNSHIP
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

8. RISK MANAGEMENT (continued)

At December 31, 2010 and 2009, respectively, liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member townships in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$26,000.

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

	<u>Contributions to OTARMA</u>
2009	\$11,594
2010	\$13,885
2011	\$35,402

After one year of membership, members may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. SUBSEQUENT EVENTS

The Township obtained a \$13,000 commercial loan at 3.899% for a police cruiser in February 2012.

The Township made a principal payment of \$128,804 toward the building loan in April 2012.

The Township paid off the Police Cruiser loan of \$8,030 in March 2012.

10. CASH FUND BALANCES

The General Fund Cash Balance at January 1, 2010 reflects an increase of \$2,146 from the General Fund Cash Balance at December 31, 2009 on the December 31, 2009 and 2008 financial statement. After the financial statements were issued the fiscal officer voided three checks in December 2010 that were written prior to January 2010. The Special Revenue Cash Fund Balance at January 1, 2010 reflects an increase of \$3,346 from the Special Revenue Fund Cash Balance at December 31, 2009 on the December 31, 2009 and 2008 financial statement. After the financial statements were issued the fiscal officer voided three checks in December 2010 that were written prior to January 2010.

Independent Auditors' 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 German Township, Clark County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 4, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected. We consider findings 2011-01 and 2011-02 described in the accompanying schedule of findings to be material weaknesses.

Internal Control over Financial Reporting, continued

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatements, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially effect 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 2011-01 through 2011-02.

We noted certain matters not requiring inclusion in this report to the management of the Township in a separate letter dated June 4, 2012.

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Township. It is not intended for anyone other than these specified parties.

Taylor, Applegate, Hughes & Assoc., Ltd.

Taylor, Applegate, Hughes and Associates, Ltd.
June 4, 2012

**GERMAN TOWNSHIP
CLARK COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

Noncompliance/Material Weakness

Ohio Rev. Code § 5705.39 provides that the total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

During 2011, appropriations exceeded total estimated resources in the General Fund by \$167,716, Gasoline Fund by \$50,417, Road & Bridge Fund by \$320, Cemetery Fund by \$800, Police District Fund by \$52,708, Road District Fund by \$3,512, Permissive Motor Vehicle License Tax by \$18,300, Capital Projects – Capital Fire District by \$373,202 and Perpetual Care Bequest by \$81.

During 2010, appropriations exceeded the total estimated resources in the Gasoline Fund by \$2,537, Cemetery Fund by \$2,400, Road District Fund by \$8,648, Permissive Motor Vehicle License Fund by \$9,740, Capital Projects - Public Works Projects by \$31,946 and Capital Projects - Fire District by \$51,700.

The Township should monitor appropriations versus estimated resources to ensure appropriations do not exceed total estimated revenue.

Officials' Response: We received no response from the Township.

FINDING NUMBER 2011-02

Noncompliance/Material Weakness

Ohio Revised Code Section 5705-36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificated of estimated resources. ORC 5705.36 requires the Township to obtain an increase amended certificate of estimated resources from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. The Ohio Revised Code 5705.36 (A)(4) requires the Township to obtain a reduced amended certificated if the amount of the deficiency will reduce available resources below the current level of appropriation.

In fiscal year 2011, appropriations exceeded the amount of available resources in the Permissive Motor Vehicle License Tax by \$139,038, and the Capital Projects – Capital Fire Fund by \$7,755. Failure to monitor the appropriations versus actual resources could result in expenditures exceeding available resources and possibly result in deficit spending

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

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

FINDING NUMBER 2011-02 (continued)

In fiscal year 2010, appropriations exceeded the amount of available resources in the Gasoline Fund by \$2,420, Cemetery Fund by \$2,400, Road District Fund by \$8,648, Permissive Motor Vehicle License Tax Fund by \$9,740, Capital Projects - Public Works Commission by \$31,946 and the Capital Projects – Capital Fire Fund by \$51,700.

We recommend the Township monitor the budget versus actual reports and approve modifications if necessary. Approval of the modifications should be enacted and documented in the Township Minutes.

Officials' Response: We received no response from the Township.

**GERMAN TOWNSHIP
CLARK COUNTY
SCHEDULE OF PRIOR AUDIT FINDING
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-01	Appropriations exceeding revenues	No	Reissued as Finding 2011-01
2009-02	Use of Super Blanket Certificates	Yes	Corrected
2009-03	Appropriations exceeding estimated resources	No	Reissued as Finding 2011-02

This page intentionally left blank.



Dave Yost • Auditor of State

GERMAN TOWNSHIP

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 15, 2012**