



**Auditor of State
Betty Montgomery**

**GERMAN TOWNSHIP
CLARK COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

German Township
Clark County
3940 Lawrenceville Drive
Springfield, Ohio 45504

To the Board of Trustees:

We have audited the accompanying financial statements of German Township, Clark County, (the Township), as of and for the years ended December 31, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this Township, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2004 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

August 25, 2004

**GERMAN TOWNSHIP
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR AND FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Fund</u>	
Cash Receipts:				
Local Taxes	\$45,766	\$861,230		\$906,996
Intergovernmental	85,986	312,504		398,490
Charges for Services		27,437		27,437
Licenses, Permits, and Fees	4,811	1,700		6,511
Fines, Forfeitures, and Penalties		29,290		29,290
Earnings on Investments	7,591	1,439	25	9,055
Other Revenue	4,064	38,099		42,163
	<u>148,218</u>	<u>1,271,699</u>	<u>25</u>	<u>1,419,942</u>
Cash Disbursements:				
Current:				
General Government	114,541	10,139		124,680
Public Safety	9,747	660,526		670,273
Public Works		391,160		391,160
Health	16,450	138,527		154,977
Debt Service:				
Redemption of Principal	30,000			30,000
Interest and Fiscal Charges	3,809			3,809
Capital Outlay	9,239	39,376		48,615
	<u>183,786</u>	<u>1,239,728</u>		<u>1,423,514</u>
Total Receipts Over/(Under) Disbursements	<u>(35,568)</u>	<u>31,971</u>	<u>25</u>	<u>(3,572)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		8,000		8,000
Advances-In		50		50
Transfers-Out	(8,000)			(8,000)
Advances-Out	(50)			(50)
	<u>(8,050)</u>	<u>8,050</u>		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(43,618)</u>	<u>40,021</u>	<u>25</u>	<u>(3,572)</u>
Fund Cash Balances, January 1	<u>357,145</u>	<u>612,597</u>	<u>2,643</u>	<u>972,385</u>
Fund Cash Balances, December 31	<u><u>\$313,527</u></u>	<u><u>\$652,618</u></u>	<u><u>\$2,668</u></u>	<u><u>\$968,813</u></u>

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

**GERMAN TOWNSHIP
CLARK COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Fund</u>	
Cash Receipts:				
Local Taxes	\$43,813	\$773,198		\$817,011
Intergovernmental	235,456	153,346		388,802
Charges for Services		23,802		23,802
Licenses, Permits, and Fees	4,841	2,960		7,801
Fines, Forfeitures, and Penalties		12,923		12,923
Earnings on Investments	13,935	2,000	42	15,977
Other Revenue	28,928	30,424		59,352
	<u>326,973</u>	<u>998,653</u>	<u>42</u>	<u>1,325,668</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	130,674	11,350		142,024
Public Safety	18,540	574,255		592,795
Public Works		313,558		313,558
Health	12,780	90,818		103,598
Debt Service:				
Redemption of Principal	27,700			27,700
Interest and Fiscal Charges	7,428			7,428
Capital Outlay		203,577		203,577
	<u>197,122</u>	<u>1,193,558</u>		<u>1,390,680</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>129,851</u>	<u>(194,905)</u>	<u>42</u>	<u>(65,012)</u>
Other Financing Receipts and (Disbursements):				
Sale of Fixed Assets		30,075		30,075
Transfers-In		4,500		4,500
Advances-In	18,085	21,085		39,170
Transfers-Out	(4,500)			(4,500)
Advances-Out	(21,085)	(18,085)		(39,170)
	<u>(7,500)</u>	<u>37,575</u>		<u>30,075</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	122,351	(157,330)	42	(34,937)
Fund Cash Balances, January 1	<u>234,794</u>	<u>769,927</u>	<u>2,601</u>	<u>1,007,322</u>
Fund Cash Balances, December 31	<u><u>\$357,145</u></u>	<u><u>\$612,597</u></u>	<u><u>\$2,643</u></u>	<u><u>\$972,385</u></u>

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

**GERMAN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

German Township, Clark County, (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, police protection, and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

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

Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

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

**GERMAN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

3. Fiduciary Funds (Trust and Agency Funds)

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2003 and 2002 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.

**GERMAN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$199,910	\$162,402
STAR Ohio	768,903	809,983
Total deposits and investments	\$968,813	\$972,385

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$141,036	\$148,218	\$7,182
Special Revenue	1,215,939	1,279,699	63,760
Fiduciary	30	25	(5)
Total	\$1,357,005	\$1,427,942	\$70,937

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$500,534	\$191,786	\$308,748
Special Revenue	1,696,183	1,239,728	456,455
Fiduciary	2,354	0	2,354
Total	\$2,199,071	\$1,431,514	\$767,557

**GERMAN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$329,046	\$326,973	(\$2,073)
Special Revenue	1,030,261	1,033,228	2,967
Fiduciary	42	42	0
Total	\$1,359,349	\$1,360,243	\$894

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$381,376	\$201,622	\$179,754
Special Revenue	1,785,001	1,193,558	591,443
Fiduciary	4,693	0	4,693
Total	\$2,171,070	\$1,395,180	\$775,890

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$92,156	2.76%
Cruiser Note	7,088	2.99%
Total	\$99,244	

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

**GERMAN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT (Continued)

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

	General Obligation Bonds	Cruiser Note
Year ending December 31:		
2004	\$22,304	\$ 7,303
2005	22,304	
2006	22,304	
2007	22,304	
2008	10,164	
Total	\$99,380	\$7,303

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**GERMAN TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

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 2003 and 2002:

Casualty Coverage	2003	2002
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	\$16,000,923	\$14,559,524

Property Coverage	2003	2002
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	\$6,040,104	\$5,392,670



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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 ("the Township") as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 25, 2004, wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated August 25, 2004.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financing reporting that do not require inclusion in this report, that we have reported to the management of the Township in a separate letter dated August 25, 2004.

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German Township – Clark County
Independent Accountants' Report on Compliance and on
Internal Controls Required by *Governmental Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

August 25, 2004

**GERMAN TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Finding for Recovery – Repaid While Under Audit

The Township contracted with Fire Rescue Training Consultants for providing Fire/ EMS training to the Township’s Fire Department. The Fire Rescue Training Consultants was overpaid \$291.90 for training cost reimbursements on March 11, 2002. The Township paid \$2,273.80 on an invoice dated March 10, 2002 instead of the required \$1,981.90.

In accordance with the forgoing facts, and in accordance with **Ohio Rev. Code Section 117.28**, a finding for recovery for overpayment of public money is hereby issued against Peggy Hupp, Clerk, Lamar Kaffenbarger, Trustee, and their bonding company, The Personal Service Insurance Company, Joseph Clark, President, Charles Metzger; Vice-president, and their bonding company Ohio Farmers Insurance Co. and Fire Rescue Training Consultants, jointly and severally in the amount of two hundred and ninety-one dollars and ninety cents (\$291.90) and in favor of the Township’s Fire Fund. This amount was refunded to the Township via the vendor’s check #4449, dated August 24, 2004.

The Township should institute procedures to provide that all contractors are paid in accordance with the Board approved rates and in proper amounts. Additionally, voucher payments should be periodically subjected to a detailed review for accuracy by someone independent of the voucher process.

FINDING NUMBER 2003-002

Ohio Rev. Code Section 5705.10 states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. The Township failed to properly record the receipt of property tax rollback from the State in the amount of \$2,114 in the General Fund (amount posted in Fire District Fund) during 2003, and motor vehicle license tax from the County in the amount of \$2,353 during 2002 in the Motor Vehicle License Tax Fund established for that purpose (amount posted in General Fund). The adjustments required to accurately state Township’s fund balances as of December 31, were as follows:

Fund Type	2003	Amount	Fund Type	2002	Amount
General	Increase	\$2,114	General	Decrease	\$2,353
Special Revenue	Decrease	\$2,114	Special Revenue	Increase	\$2,353

The net of these adjustments were to decrease the General Fund balance by \$239, decrease the Fire District Fund balance by \$2,114 and increase the Motor Vehicle License Tax Fund balance by \$2,353. These adjustments were posted by the Township Clerk on August 24, 2004, and are reflected in the combined statements presented with this report.

FINDING NUMBER 2003-003

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

FINDING NUMBER 2003-003
(Continued)

1. Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$1,000 (HB 454, effective 4/7/03, increased the limit to \$3,000) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.
2. Blanket certificate – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. (HB 95, effective 9-25-03, eliminated the \$5,000 and 3 month restrictions). The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for \$126,781 or 15.81% of the Special Revenue expenditures during 2002 and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in misappropriation of monies and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility that Township funds will exceed budgetary spending limitations, the Township's Clerk should certify, if available, that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, "then and now" certification should be used. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should then post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**GERMAN TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-40312-001	ORC Sec. 5705.41(D) - Failure to certify funds prior to expenditures.	No	Not corrected - repeated as finding number 2003-003



**Auditor of State
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GERMAN TOWNSHIP

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 9, 2004**