



**Auditor of State
Betty Montgomery**

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types – For the Year Ended December 31, 2003.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Fiduciary Fund Type – For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types – For the Year Ended December 31, 2002.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Fiduciary Fund Type – For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

German Township
Montgomery County
12102 State Route 725 West
Germantown, Ohio 45327

To the Board of Trustees:

We have audited the accompanying financial statements of German Township, Montgomery County, (the Township), as of and for the years ended December 31, 2003 and December 31, 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.

Except as described in paragraph five, 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 conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(B) and § 115.56 mandate the Auditor of State to audit Ohio Governments.

We believe that our audit provides a reasonable basis for our opinion.

Because of inadequacies in the Township's accounting records, we were unable to obtain sufficient documentation to support the amount of revenue recorded as charges for services, in the Waste Disposal Fund, Special Revenue Fund Type, for the years ended 2003 and 2002, (stated at \$154,418 and \$142,865, respectively). Township records did not permit us to extend our auditing procedures sufficiently to satisfy ourselves regarding the validity of the receipts through other auditing procedures.

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

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had charges for services, in the Special Revenue Fund Type, been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances, and reserves for encumbrances of the Township as of December 31, 2003 and December 31, 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 October 29, 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 management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

October 29, 2004

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$22,020	\$1,227,359		\$1,249,379
Intergovernmental	205,910	228,592		434,502
Special Assessments	218			218
Charges for Services		154,418		154,418
Licenses, Permits, and Fees	14,838			14,838
Fines, Forfeitures, and Penalties	2,920			2,920
Earnings on Investments	7,047	480		7,527
Other Revenue	9,523	6,292		15,815
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	262,476	1,617,141		1,879,617
Cash Disbursements:				
Current:				
General Government	149,088	109,175		258,263
Public Safety		631,677		631,677
Public Works	1,077	367,846		368,923
Health		41,051		41,051
Conservation - Recreation		96,260		96,260
Debt Service:				
Redemption of Principal	9,238	49,080		58,318
Interest and Fiscal Charges	4,247	3,912		8,159
Capital Outlay		99,824		99,824
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	163,650	1,398,825		1,562,475
Total Receipts Over/(Under) Disbursements	98,826	218,316		317,142
Other Financing Receipts and (Disbursements):				
Transfers-In		5,032		5,032
Transfers-Out	(5,032)			(5,032)
Other Financing Receipts		7,607		7,607
Other Financing Disbursements		(7,607)		(7,607)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(5,032)	5,032		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	93,794	223,348		317,142
Fund Cash Balances, January 1	31,830	560,310	\$1,130	593,270
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$125,624	\$783,658	\$1,130	\$910,412

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

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Non-Expendable Trust</u>
Cash Receipts:	
Earnings on Investments	<u>\$481</u>
Total Cash Receipts	<u>481</u>
Cash Disbursements:	
Current:	
Miscellaneous	<u>639</u>
Total Cash Disbursements	<u>639</u>
Receipts Over/(Under) Cash Disbursements	(158)
Fund Cash Balance, January 1	<u>44,406</u>
Fund Cash Balance, December 31	<u><u>\$44,248</u></u>

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

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$21,203	\$1,076,519			\$1,097,722
Intergovernmental	91,530	215,714	\$251,985		559,229
License, Permits and Fees	10,810				10,810
Charges for Services		142,865			142,865
Fines, Forfeitures, and Penalties	4,760	50			4,810
Earnings on Investments	9,966	723			10,689
Other Revenue	1,335	21,965			23,300
	<u>139,604</u>	<u>1,457,836</u>	<u>251,985</u>		<u>1,849,425</u>
Total Cash Receipts					
	139,604	1,457,836	251,985		1,849,425
Cash Disbursements:					
Current:					
General Government	184,535	273,437			457,972
Public Safety		567,024			567,024
Public Works	1,077	503,024			504,101
Health		42,683			42,683
Conservation - Recreation		25,698			25,698
Debt Service:					
Redemption of Principal	7,791	43,617			51,408
Interest and Fiscal Charges	5,834	5,678			11,512
Capital Outlay	5,000	33,424	251,985		290,409
	<u>204,237</u>	<u>1,494,585</u>	<u>251,985</u>		<u>1,950,807</u>
Total Cash Disbursements					
	204,237	1,494,585	251,985		1,950,807
Total Receipts Over/(Under) Disbursements	(64,633)	(36,749)			(101,382)
Other Financing Receipts and (Disbursements)					
Proceeds from Sale of Public Debt:					
Sale of Notes		85,000			85,000
Transfers-In	759	6,631			7,390
Advances-In	25,000				25,000
Transfers-Out	(6,631)	(759)			(7,390)
Advances-Out		(25,000)			(25,000)
	<u>19,128</u>	<u>65,872</u>			<u>85,000</u>
Total Other Financing Receipts/(Disbursements)					
	19,128	65,872			85,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(45,505)	29,123			(16,382)
Fund Cash Balances, January 1	<u>77,335</u>	<u>531,187</u>		<u>\$1,130</u>	<u>609,652</u>
Fund Cash Balances, December 31	<u><u>\$31,830</u></u>	<u><u>\$560,310</u></u>	<u><u>\$0</u></u>	<u><u>\$1,130</u></u>	<u><u>\$593,270</u></u>
Reserve for Encumbrances	<u><u>\$0</u></u>	<u><u>\$6,000</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$6,000</u></u>

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

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Non-Expendable Trust</u>
Cash Receipts:	
Earnings on Investments	<u>\$770</u>
Total Cash Receipts	770
Cash Disbursements:	
Current:	
Miscellaneous	<u>798</u>
Total Cash Disbursements	<u>798</u>
Receipts Over/(Under) Cash Disbursements	(28)
Fund Cash Balance, January 1	<u>44,434</u>
Fund Cash Balance, December 31	<u><u>\$44,406</u></u>

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

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

German Township, Montgomery 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, park operations and police services. The Township has a contract with the Village of Germantown to provide fire and ambulance 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

Demand deposits 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 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.

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

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Waste Disposal District – This fund receives revenues from charges for services from the citizens for their garbage pickup.

Police District – This fund receives tax monies to provide police protection for the township residents.

Fire Levy – This fund receives tax monies to provide fire and ambulance services to Township residents. Services are provided through a contract with the Village of Germantown.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant capital project fund:

Issue II Fund - The Township received grants from the State of Ohio for road work.

4. Fiduciary Funds (Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary fund:

Cemetery Bequest – This non-expendable trust funds is maintained in perpetuity, and investment earnings are used for the upkeep of the cemetery.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

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	\$ 334,984	\$ 173,573
Investments:		
STAR Ohio	619,676	464,103
Total Deposits and investments	\$ 954,660	\$ 637,676

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

Investments: The investments in STAR Ohio is not evidenced by securities that exist in physical or book entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$372,625	\$262,476	(\$110,149)
Special Revenue	1,587,000	1,629,780	42,780
Expendable Trust	200	0	(200)
Nonexpendable Trust	700	481	(219)
Total	\$1,960,525	\$1,892,737	(\$67,788)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$219,970	\$168,682	\$51,288
Special Revenue	2,081,697	1,406,432	675,265
Expendable Trust	1,129	0	1,129
Nonexpendable Trust	2,700	639	2,061
Total	\$2,305,496	\$1,575,753	\$729,743

**GERMAN TOWNSHIP
MONTGOMERY 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	\$194,094	\$140,363	(\$53,731)
Special Revenue	1,454,107	1,549,467	95,360
Capital Projects	251,985	251,985	0
Expendable Trust	500	0	(500)
Nonexpendable Trust	1,700	770	(930)
Total	<u>\$1,902,386</u>	<u>\$1,942,585</u>	<u>\$40,199</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$271,095	\$210,868	\$60,227
Special Revenue	1,986,846	1,501,344	485,502
Capital Projects	251,985	251,985	0
Expendable Trust	1,400	0	1,400
Nonexpendable Trust	3,000	798	2,202
Total	<u>\$2,514,326</u>	<u>\$1,964,995</u>	<u>\$549,331</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20. 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
Tax Anticipation Notes	\$ 32,172	4.5%
Cemetery Building Bond	75,863	3.6%
Senior Citizen Building Bond	36,549	3.65%
Total	<u>\$144,584</u>	

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

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

5. DEBT (Continued)

On April 12, 2003, the Township refinanced building bonds in the amount of \$82,890, which had been issued for the construction of a Garage/Office complex for the use of the Germantown Union Cemetery. The bonds mature April 12, 2010.

A tax anticipation note was issued on September 1, 2001, in the amount of \$70,000, for the purpose of improvement of the road and bridges in the Township. The note matures September 1, 2005.

On March 30, 2002, the Township issued building bonds in the amount of \$85,000, for the purpose of purchasing land to construct a parking lot. The bonds mature March 30, 2005.

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

Year Ending December 31:	Cemetery Building Bonds	Senior Citizen Building Bonds	Road Improvement Anticipation Note	Total
2004	\$13,414	\$29,956	\$19,220	\$ 62,590
2005	13,414	7,489	14,415	35,318
2006	13,414			13,414
2007	13,414			13,414
2008	13,414			13,414
2009 – 2010	17,885			17,885
Total	\$84,955	\$37,445	\$33,635	\$156,035

6. RETIREMENT SYSTEMS

The Township's employees and elected officials, including law enforcement, 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. Law enforcement members contribute 10.1 percent and other PERS members contribute 8.5 percent of their gross salaries. The Township contributes an amount equal to 16.7 percent for police, and 13.55 percent for all other members, of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

7. RISK POOL MEMBERSHIP

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member 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
MONTGOMERY COUNTY**

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

7. RISK POOL MEMBERSHIP (Continued)

Casualty Coverage - OTARMA retains casualty risks up to \$250,000 per occurrence, 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 on any one occurrence. 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 report the following assets, liabilities and retained earnings at December 31:

Casualty Coverage	2003	2002
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>
Property Coverage	2003	2002
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>



Auditor of State Betty Montgomery

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

German Township
Montgomery County
12102 State Route 725 West
Germantown, Ohio 45327

To the Board of Trustees:

We have audited the accompanying financial statements of German Township, Montgomery County, (the Township), as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated October 29, 2004, in which we were unable to support amounts recorded as charges for services in the Special Revenue Fund Type. In addition, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated October 29, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2003-001 and 2003-002.

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

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above as item 2003-001 to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated October 29, 2004.

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



Betty Montgomery
Auditor of State

October 29, 2004

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

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

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

FINDING 2003-001

Waste Disposal Records and Reconciliations

Records were not maintained such as payment stubs, nor were the monthly billing and collection ledgers generated from the system to provide a permanent record of that month's transaction activity. The system program is such that when the subsequent month's information is entered the prior detailed information is lost. There was no evidence of dates and amounts that could be compared to the records to support the deposited and recorded amounts. Monthly reconciliations could not be performed between the billing and collection ledgers, the deposits; or the monthly collections reconciled with the Township receipts ledger account. In addition, there were no records generated on delinquencies that provided an accurate amount monthly or at each year end.

The absence of required records and the lack of properly documented payment information results in the inability to determine the accuracy of the amounts billed and collected on a monthly basis. The failure to maintain an accurate record of each customer's monthly account balance activity could result in charging inappropriate amounts, or the inability to retrace and follow up on overdue amounts. The lack of monthly reconciliations of the waste disposal reports with the amounts collected and deposited could result in the failure to detect inaccurate recording of receipts and possible diversion of collections to personal use. In addition, the lack of maintaining the proper records results in the inability to perform proper auditing procedures.

All records should be retained, and the name, check number, and date paid should be evident on the billing stub or payment receipt. The billing and collections reports should be generated on a monthly basis and retained as required by law, or until audited. The check number and/or the customer name should be indicated on the deposit slip to ensure the records can be reconciled with a deposit. The customer billing stubs, amount collected and deposited, should be reconciled with the collection report on a monthly basis. This reconciliation would confirm that what was collected and deposited was also accurately recorded on the system, which should provide some assurance that customer balances are accurate and up to date. A reconciliation should also be performed between the collections and the Township receipt ledger account.

In addition, if the delinquent accounts are not evident on the collection report, a separate report on delinquencies should be generated on a monthly basis. A reconciliation could be performed using beginning delinquent balances plus the monthly billed amount less collections (that have been reconciled with deposits) which should calculate to the ending delinquent balance. This would give further assurance on the accuracy of the postings to the system.

FINDING 2003-002

Monitoring Waste Disposal Billing and Collection Activities – Segregation of Duties

The Zoning/Billing Clerk performs the following duties for the waste collections:

1. Collects over-the-counter monies
2. Inputs computer data
3. Deposits revenue with the bank or clerk
4. Reconciles deposits with receipt records

This lack of segregation of duties allows for the possibility of manipulation of records or diversion of public funds to private use, which could go undetected during the normal course of business operations.

Because the size of Township operations does not allow for an adequate segregation of duties, it is important that the Board monitor financial activity closely. Since the Board was not receiving the proper financial information to perform proper monitoring procedures, the billing clerk should provide the Board with a detailed customer list of overdue accounts, customer billings, amounts received (collection and billing reports), and a reconciliation between the department records, deposits and the Township's revenue journal.

The Board should carefully review the delinquent accounts, customer billings and collection information each month and make appropriate inquiries to determine the integrity of billing and collection information. When performing such reviews, the officials' signatures or initials and the date should be affixed to the records examined, which should be retained to document such reviews. In addition, the records examined and the conclusions reached should be recorded in the minutes each month.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**GERMAN TOWNSHIP
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
NOVEMBER 23, 2004**