

Village of Germantown
Montgomery County
Regular Audit
For the Years Ended December 31, 2006 and 2005
Years Audited Under GAGAS: 2006 and 2005

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Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Germantown, Montgomery County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Germantown is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 4, 2007

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VILLAGE OF GERMANTOWN
TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2006.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – Proprietary Fund Type For the Year Ended December 31, 2006.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2005.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – Proprietary Fund Type For the Year Ended December 31, 2005.....	6
Notes to the Financial Statements.....	7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial statements Performed in Accordance With <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	19

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Village of Germantown, Montgomery County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statements presentation and make other changes for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the third following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position and cash flows of its proprietary funds for the years then ended.

Because of the inadequacy of accounting records for the year ended December 31, 2006, we were unable to form an opinion regarding the amounts at which income tax receipts are recorded in the accompanying combined statement of cash receipts, cash disbursements, and changes in fund cash balances all governmental funds at December 31, 2006 (stated at \$989,566).

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had income tax receipts been susceptible to satisfactory audit tests for the year ended December 31, 2006, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2007 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

June 29, 2007

Village of Germantown
Montgomery County, Ohio

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent Fund	
Cash Receipts:						
Property and Local Taxes	\$ 1,309,733	\$ 321,485	\$ -	\$ -	\$ -	\$ 1,631,218
Intergovernmental	280,360	651,001	-	251,927	-	1,183,288
Special Assessments	-	90,502	3,979	-	-	94,481
Charges for Services	-	-	-	8,925	-	8,925
Fines, Licenses, and Permits	52,460	4,857	-	-	-	57,317
Rent	-	1,450	-	-	-	1,450
Donations	-	2,020	-	55,000	-	57,020
Interest	43,995	1,596	-	4,232	1,214	51,037
Miscellaneous	19,035	20,562	-	357	-	39,954
Total Cash Receipts	1,705,583	1,093,473	3,979	320,441	1,214	3,124,690
Cash Disbursements:						
Current:						
Security of Persons & Property	761,659	598,636	-	-	-	1,360,296
Public Health Service	185	-	-	-	-	185
Leisure Time Activities	-	1,701	-	-	-	1,701
Community Environment	111,888	-	-	-	-	111,888
Transportation	-	220,264	-	69,296	-	289,560
General Government	497,019	62,357	344	318	-	560,038
Capital Outlay	16,306	109,710	-	530,400	-	656,416
Debt Service:						
Redemption of Principal	18,300	-	196,900	-	-	215,200
Interest and Fiscal Charges	41,190	-	6,994	-	-	48,184
Total Cash Disbursements	1,446,547	992,668	204,238	600,014	-	3,243,467
Total Cash Receipts Over/(Under) Cash Disbursements	259,036	100,805	(200,259)	(279,573)	1,214	(118,777)
Other Financing Receipts and (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes/Bonds	-	-	70,200	2,210,000	-	2,280,200
Transfers-In	-	-	130,131	82,109	-	212,240
Advances-In	44,228	14,228	-	205,000	-	263,456
Transfers-Out	(203,933)	-	-	-	(2,200)	(206,133)
Advances-Out	(222,728)	(14,228)	-	(30,000)	-	(266,956)
Total Other Financing Receipts/(Disbursements)	(382,433)	-	200,331	2,467,109	(2,200)	2,282,807
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(123,397)	100,805	72	2,187,536	(986)	2,164,030
Fund Cash Balances, January 1	248,426	203,603	-	42,614	17,018	511,661
Fund Cash Balances, December 31	<u>\$ 125,029</u>	<u>\$ 304,408</u>	<u>\$ 72</u>	<u>\$ 2,230,150</u>	<u>\$ 16,032</u>	<u>\$ 2,675,691</u>
Reserve for Encumbrances, December 31	<u>\$ 9,046</u>	<u>\$ 121,045</u>	<u>\$ -</u>	<u>\$ 2,297,197</u>	<u>\$ -</u>	<u>\$ 2,427,288</u>

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

**Village of Germantown
Montgomery County, Ohio**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 1,614,950
Special Assessments	6,022
Interest	26,420
Rent	8,559
Miscellaneous	8,850
Total Operating Cash Receipts	1,664,801
Operating Cash Disbursements:	
Personal Services	396,512
General Government	
Contractual Services	781,786
Supplies & Maintenance	124,810
Maintenance	28,561
Other	1,770
Capital Outlay	418,547
Total Operating Cash Disbursements	1,751,986
Operating Loss	(87,185)
Non-Operating Cash Receipts:	
Proceeds from Sale of Notes	271,000
Loan Proceeds	132,500
Total Non-Operating Cash Receipts	403,500
Non-Operating Cash Disbursements:	
Debt Service:	
Principal	429,965
Interest	157,686
Total Non-Operating Cash Disbursements	587,651
Excess of Receipts/(Under) Disbursements Before Interfund Transfers & Advances	(271,336)
Transfers In	20,600
Advances In	3,500
Transfers Out	(26,707)
Net Receipts Over/(Under) Disbursements	(273,943)
Fund Cash Balances, January 1	1,241,597
Fund Cash Balances, December 31	\$ 967,654
Reserve for Encumbrances, December 31	\$ 115,420

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

Village of Germantown
Montgomery County, Ohio

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

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent Fund	
Cash Receipts:						
Property and Local Taxes	\$ 1,212,964	\$ 315,832	\$ -	\$ -	\$ -	\$ 1,528,796
Intergovernmental	292,217	589,602	-	83,005	-	964,824
Special Assessments	-	88,224	3,746	-	-	91,970
Charges for Services	2,792	189	-	18,500	-	21,481
Fines, Licenses, and Permits	80,047	755	-	-	-	80,802
Rent	-	375	-	-	-	375
Donations	-	20,977	-	-	-	20,977
Interest	50,466	774	-	-	737	51,977
Miscellaneous	6,207	25,610	-	7,829	-	39,646
Total Cash Receipts	<u>1,644,693</u>	<u>1,042,338</u>	<u>3,746</u>	<u>109,334</u>	<u>737</u>	<u>2,800,848</u>
Cash Disbursements:						
Current:						
Security of Persons & Property	742,969	529,154	-	-	-	1,272,123
Leisure Time Activities	-	400	-	-	-	400
Community Environment	92,761	-	-	-	-	92,761
Basic Utility Services	-	2,793	-	-	-	2,793
Transportation	-	249,119	-	-	-	249,119
General Government	558,483	54,491	562	-	-	613,536
Capital Outlay	13,601	166,056	-	153,767	-	333,424
Debt Service:						
Redemption of Principal	17,400	-	238,600	-	-	256,000
Interest and Fiscal Charges	42,147	-	6,135	-	-	48,282
Total Cash Disbursements	<u>1,467,361</u>	<u>1,002,013</u>	<u>245,297</u>	<u>153,767</u>	<u>-</u>	<u>2,868,438</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>177,332</u>	<u>40,325</u>	<u>(241,551)</u>	<u>(44,433)</u>	<u>737</u>	<u>(67,590)</u>
Other Financing Receipts and (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes/Bonds	-	-	196,900	-	-	196,900
Loan Proceeds	-	-	-	-	-	-
Transfers-In	-	854	44,651	-	-	45,505
Advances-In	25,502	-	-	45,502	-	71,004
Transfers-Out	(45,505)	-	-	-	-	(45,505)
Advances-Out	(45,502)	-	-	(5,502)	-	(51,004)
Total Other Financing Receipts/(Disbursements)	<u>(65,505)</u>	<u>854</u>	<u>241,551</u>	<u>40,000</u>	<u>-</u>	<u>216,900</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	111,827	41,179	-	(4,433)	737	149,310
Fund Cash Balances, January 1	<u>136,599</u>	<u>162,424</u>	<u>-</u>	<u>47,047</u>	<u>16,281</u>	<u>362,351</u>
Fund Cash Balances, December 31	<u>\$ 248,426</u>	<u>\$ 203,603</u>	<u>\$ -</u>	<u>\$ 42,614</u>	<u>\$ 17,018</u>	<u>\$ 511,661</u>
Reserve for Encumbrances, December 31	<u>\$ 33,204</u>	<u>\$ 17,093</u>	<u>\$ -</u>	<u>\$ 4,505</u>	<u>\$ -</u>	<u>\$ 54,802</u>

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

**Village of Germantown
Montgomery County, Ohio**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 1,637,174
Special Assessments	5,991
Interest	11,963
Miscellaneous	1,897
	1,657,025
Total Operating Cash Receipts	1,657,025
Operating Cash Disbursements:	
Personal Services	354,466
General Government	485
Contractual Services	664,518
Supplies & Maintenance	89,906
Maintenance	35,159
Other	2,300
Capital Outlay	263,487
	1,410,321
Total Operating Cash Disbursements	1,410,321
Operating Income	246,704
Non-Operating Cash Receipts:	
Proceeds from Sale of Notes	349,104
Loan Proceeds	22,351
Intergovernmental Receipts	36,793
	408,248
Total Non-Operating Cash Receipts	408,248
Non-Operating Cash Disbursements:	
Debt Service:	
Principal	467,890
Interest	140,710
	608,600
Total Non-Operating Cash Disbursements	608,600
Excess of Receipts/(Under) Disbursements Before Interfund Transfers & Advances	46,352
Transfers In	20,631
Transfers Out	(20,631)
Advances Out	(20,000)
	26,352
Net Receipts Over/(Under) Disbursements	26,352
Fund Cash Balances, January 1	1,215,245
Fund Cash Balances, December 31	\$ 1,241,597
Reserve for Encumbrances, December 31	\$ 86,306

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

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are 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.

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

3. Debt Service Fund

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

Bond Retirement Fund – This fund receives transfers from various funds to provide for annual debt payments on bond anticipation notes and bonds.

4. Capital Project Funds

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

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

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

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

5. Enterprise Funds

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

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

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

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

6. Permanent Fund

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

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

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2006 and 2005 was as follows:

	2006	2005
Demand deposits	\$ 489,555	\$ 5,439
Certificates of deposit	652,713	1,227,811
Total deposits	1,142,268	1,233,250
U.S. Government Securities	584,851	358,044
STAR Ohio	1,916,226	161,964
Total investments	2,501,077	520,008
Total deposits and investments	\$3,643,345	\$1,753,258

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,690,865	\$1,705,583	\$14,718
Special Revenue	1,192,690	1,093,473	(99,217)
Debt Service	204,700	204,310	(390)
Capital Projects	2,996,195	2,612,550	(383,645)
Enterprise	2,160,556	2,088,901	(71,655)
Permanent	600	1,214	614
Total	\$8,245,606	\$7,706,031	(\$539,575)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,683,203	\$1,659,526	\$23,677
Special Revenue	1,295,794	1,113,713	182,081
Debt Service	204,700	204,238	462
Capital Projects	2,965,505	2,897,211	68,294
Enterprise	2,757,355	2,481,764	275,591
Permanent	2,200	2,200	0
Total	\$8,908,757	\$8,358,652	\$550,105

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,443,195	\$1,644,693	\$201,498
Special Revenue	1,056,455	1,043,192	(13,263)
Debt Service	245,301	245,297	(4)
Capital Projects	148,995	109,334	(39,661)
Enterprise	2,096,468	2,085,904	(10,564)
Permanent	300	737	437
Total	\$4,990,714	\$5,129,157	\$138,443

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,600,267	\$1,546,070	\$54,197
Special Revenue	1,157,262	1,019,106	138,156
Debt Service	245,301	245,297	4
Capital Projects	178,115	158,272	19,843
Enterprise	2,471,566	2,125,858	345,708
Total	\$5,652,511	\$5,094,603	\$557,908

Contrary to Ohio law, the Village did not reduce its estimated resources when necessary.

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Municipal Building Bonds	\$ 730,600	5.5% - 6.4%
Ohio Public Works Commission (OPWC) Project #CT08D	103,982	0.01%
Ohio Public Works Commission (OPWC) Project #CT08F	126,518	0.01%
General Obligation Bonds	40,000	5.69%
General Obligation Notes	2,683,700	1.74% - 5.54%
Mortgage Revenue Bonds	956,000	5.0%
Sanitary Sewer System Improvement Bond	<u>915,000</u>	5.3%
Total	<u>\$5,555,800</u>	

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

Outstanding OPWC notes (Project #CT08F) consist of a loan to fund the water booster station improvements. The debt will be repaid from revenues of the Village's water system. An additional \$22,351 was drawn down during 2005.

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

6. DEBT (Continued)

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

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

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

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

Amortization of the above debt, including interest, of \$2,434,874 is scheduled as follows:

	Municipal Building Bonds	OPWC #CT08F	OPWC #CT08D	General Obligation Bonds	General Obligation Notes	Mortgage Revenue Bonds	Sanitary Sewer Improvement Bond
2007	\$ 59,583	\$ 7,508	\$ 6,852	\$ 7,440	\$ 218,716	\$ 87,800	\$ 76,104
2008	59,516	7,508	6,852	7,135	228,683	87,800	75,291
2009	59,494	7,508	6,852	6,830	283,268	88,700	74,479
2010	59,512	7,508	6,852	6,525	300,333	88,450	78,604
2011	59,463	7,508	6,852	6,220	321,223	88,100	77,404
2012-2016	297,647	37,539	34,259	16,830	1,749,209	442,050	384,238
2017-2021	297,556	37,539	34,259	-	175,000	440,200	383,788
2022-2026	297,583	26,278	10,278	-	143,750	88,200	382,716
2027-2031	59,502	-	-	-	-	-	73,780
	<u>\$ 1,249,856</u>	<u>\$ 138,896</u>	<u>\$ 113,056</u>	<u>\$ 50,980</u>	<u>\$3,420,182</u>	<u>\$ 1,411,300</u>	<u>\$ 1,606,404</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide 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 2006 and 2005, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 9% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 13.70% of participants' gross salaries for 2006. The Village has paid all contributions required through December 31, 2006.

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

8. RISK POOL MEMBERSHIP

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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

The Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% or premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

9. SUBSEQUENT EVENTS

In April 2007, the Village issued refunding bonds through Ohio CAF in the amount of \$1,815,000 to refund the following debt:

- \$890,000 - Dry Run Sewer Improvement Bond
- \$750,000 - Municipal Building Rural Development Bond
- \$80,000 - Sewer System Improvement Bond
- \$95,000 - NE Waterline Connector Bond

The bonds have an interest rate of 4.05%.

10. CONTRACT COMMITMENTS

The Village had the following contractual commitments at December 31, 2006.

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Outstanding Balance</u>
R.E. Holland Excavating	\$1,250,317	\$544,600	\$705,717
Bearcreek Woodworks	77,502	0	77,502
Brumbaugh Construction	186,185	0	186,185
Laura Construction	265,259	152,975	112,283

11. RESTATEMENT OF FUND CASH BALANCES

Fund cash balance at December 31, 2004, was restated to reclassify funds into the proper fund type. The reclassification had the following effect on fund balances as previously reported:

	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Enterprise</u>
Fund Cash Balance, Dec. 31, 2004	\$882,373	\$17,746	\$362,173
Fund Reclassifications	(835,326)	(17,746)	853,072
Fund Cash Balance, Jan. 1, 2005	\$ 47,047	\$ 0	\$1,215,245

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Trustees
Village of Germantown
75 North Walnut
Germantown, Ohio 45327

We have audited the accompanying financial statements of the Village of Germantown (the Village), Montgomery County, as of and for the years ended December 31, 2006 and 2005 and have issued our report thereon dated June 29, 2007, wherein we noted the Village follows the accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted on the United States of America, and that we were unable to satisfy ourselves as to the accuracy of the Village income tax receipts for the year ended December 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. [2005/2006- 002 and 2005/2006-003]

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiencies described above are material weaknesses.

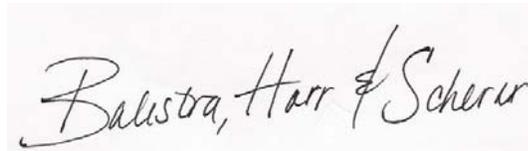
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2005/2006- 001.

We noted certain matters that we reported to management of the Village in a separate letter dated June 29, 2007.

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

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



Balestra, Harr & Scherer, CPAs, Inc.

June 29, 2007

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

FINDING NUMBER 2005/2006-001

Noncompliance Citation

Ohio Revised Code Section 5705.36 requires obtaining a reduced amended certificate if the amount of the deficiency between estimated and available resources will reduce available resources below the current level of appropriation. Since the appropriations of Village funds is based on the estimated resources, instances when actual receipts do not meet budgetary estimates could lead to overspending. Upon comparison of appropriations to available resources (defined as unencumbered beginning balance plus actual receipts), instances were noted where appropriations were in excess of available resources in several funds in 2005 and 2006 at years' end. The Village should implement monitoring procedures to ensure compliance with 5705.36. Procedures for monitoring for compliance with this section ensure that monies are not expended in excess of allowable limits.

Client Response:

Appropriations will be reduced by year end if expected revenue is not received. Purchase Orders will have to be closed before appropriations can be changed. If current year contract has not been completed, a new purchase order will be created in the new year when the revenue will be received for the balance owed on the contract. Request for Amended Certificate of Estimated Resources will be made at last Village Council meeting before year end if actual revenues for year will be less than or more than anticipated by previous Amended Certificates. New actual resources will be compared to current appropriations in case an Amended Appropriation is also needed.

FINDING NUMBER 2005/2006-002

Significant Control Deficiency

The Village's records should be maintained in a manner that they may be made available within a reasonable period of time. Failure to maintain records in a readily available fashion may result in lost information and an inadequate audit trail. The Village was not able to provide for audit nearly three months worth of duplicate receipt books for income tax receipts. The Village should implement procedures to ensure that financial records are properly maintained and readily available for inspection.

Client Response:

Receipt book log is being made to document all receipt books in their numerical order. Log will document what receipt numbers and dates (when used) are contained in each receipt book so that any missing book will be noticed immediately. Log will also serve as a sign-in and sign-out form for individuals that use receipt books. Filled and blank receipt books will be kept in the safe. Similar location logs will be created for other finance records.

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

FINDING NUMBER 2005/2006-003

Significant Control Deficiency

The Village reported various enterprise activities within governmental fund type capital project and debt service funds. The Village's proprietary activity should be reported as enterprise funds. Failure to report funds in the correct fund type misstates the Village's financial statements. The Village should implement procedures to ensure that funds are appropriately classified as the correct fund and fund type.

Client Response:

Changes will be made with 2007 annual report.

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003/2004-001	ORC 5705.41 (B) Expenditures exceeded appropriations	Yes	
2003/2004-002	ORC 5705.36 Budgeted receipts exceeded actual receipts	No	Repeated as finding 2005/2006-001



Mary Taylor, CPA
Auditor of State

VILLAGE OF GERMANTOWN

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 18, 2007**