

***GERMAN TOWNSHIP
MONTGOMERY COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Board of Trustees
German Township
11179 State Route 725 West
Germantown, Ohio 45327

We have reviewed the *Report of Independent Accountants* of German Township, Montgomery County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* 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 *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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

Dave Yost
Auditor of State

June 21, 2012

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**GERMAN TOWNSHIP
MONTGOMERY COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2011 and 2010**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

German Township
Montgomery County
11179 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, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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


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

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

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

As described in Note 4, during 2011 German Township, Montgomery County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2012, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. 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.



Charles E. Harris & Associates, Inc.

May 15, 2012

GERMAN TOWNSHIP
MONTGOMERY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Receipts:					
Property and Other Local Taxes	\$ 35,875	\$ 1,526,205	-	-	\$ 1,562,080
Charges for Services	-	211,077	-	-	211,077
Licenses, Permits and Fees	12,071	-	-	-	12,071
Fines and Forfeitures	1,951	440	-	-	2,391
Intergovernmental	76,542	340,931	\$ 197,732	-	615,205
Earning on Investments	1,666	754	-	\$ 3	2,423
Miscellaneous	4,918	28,974	-	-	33,892
Total Receipts	<u>133,023</u>	<u>2,108,381</u>	<u>197,732</u>	<u>3</u>	<u>2,439,139</u>
Disbursements:					
Current:					
General Government	164,495	138,920	-	-	303,415
Public Safety	-	1,252,891	-	-	1,252,891
Public Works	1,354	536,014	-	-	537,368
Public Health Services	19,600	61,212	-	-	80,812
Conservation-Recreation	-	66,446	-	-	66,446
Capital Outlay	5,865	49,215	197,732	-	252,812
Total Disbursements	<u>191,314</u>	<u>2,104,698</u>	<u>197,732</u>	<u>-</u>	<u>2,493,744</u>
Total Receipts Over(Under) Disbursements	(58,291)	3,683	-	3	(54,605)
Other Financing Sources/(Uses)					
Transfers-In	-	870	-	-	870
Transfers-Out	(870)	-	-	-	(870)
Sale of Capital Assets	15	8,093	-	-	8,108
Total Other Financing Sources/(Uses)	<u>(855)</u>	<u>8,963</u>	<u>-</u>	<u>-</u>	<u>8,108</u>
Net Change in Fund Cash Balances	(59,146)	12,646	-	3	(46,497)
Fund Balance 1/1/2011	<u>126,501</u>	<u>1,128,156</u>	<u>-</u>	<u>5,902</u>	<u>1,260,559</u>
Fund Cash Balances, December 31, 2011					
Nonspendable	-	-	-	5,000	5,000
Restricted	-	983,830	-	905	984,735
Committed	-	103,753	-	-	103,753
Assigned	-	53,219	-	-	53,219
Unassigned	67,355	-	-	-	67,355
Fund Balance 12/31/2011	<u>\$ 67,355</u>	<u>\$ 1,140,802</u>	<u>\$ -</u>	<u>\$ 5,905</u>	<u>\$ 1,214,062</u>

See accompanying Notes to the Financial Statements.

GERMAN TOWNSHIP
 MONTGOMERY COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
 IN FUND CASH BALANCE - FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Private Purpose Trust
Operating Cash Receipts:	
Earnings on Investments	\$ 20
Operating Cash Disbursements:	
Other Disbursements	817
Operating Income	(797)
Fund Cash Balances, January 1	39,028
Fund Cash Balances, December 31	\$ 38,231

See accompanying Notes to the Financial Statements.

GERMAN TOWNSHIP
MONTGOMERY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Receipts:					
Property and Other Local Taxes	\$ 29,235	\$ 1,291,781	-	-	\$ 1,321,016
Charges for Services	-	203,015	-	-	203,015
Licenses, Permits and Fees	12,974	-	-	-	12,974
Fines and Forfeitures	2,445	355	-	-	2,800
Intergovernmental	131,561	343,593	\$ 454,219	-	929,373
Earning on Investments	1,851	276	-	\$ 7	2,134
Miscellaneous	2,828	4,471	-	-	7,299
Total Receipts	180,894	1,843,491	454,219	7	2,478,611
Disbursements:					
Current:					
General Government	128,408	138,813	-	-	267,221
Public Safety	-	869,901	-	-	869,901
Public Works	1,091	505,663	-	-	506,754
Public Health Services	26,655	63,809	-	-	90,464
Conservation-Recreation	-	96,318	-	-	96,318
Capital Outlay	3,745	96,052	454,219	-	554,016
Debt Service:					
Redemption of Principal	4,438	-	-	-	4,438
Interest and Fiscal Charges	37	-	-	-	37
Total Disbursements	164,374	1,770,556	454,219	-	2,389,149
Total Receipts Over(Under) Disbursements	16,520	72,935	-	7	89,462
Other Financing Sources/(Uses)					
Transfers-In	-	831	-	-	831
Transfers-Out	(831)	-	-	-	(831)
Advances-In	40,000	40,000	-	-	80,000
Advances-Out	(40,000)	(40,000)	-	-	(80,000)
Total Other Financing Sources/(Uses)	(831)	831	-	-	-
Excess Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	15,689	73,766	-	7	89,462
Fund Balance 1/1/2010	110,812	1,054,390	-	5,895	1,171,097
Fund Balance 12/31/2010	\$ 126,501	\$ 1,128,156	\$ -	\$ 5,902	\$ 1,260,559

See accompanying Notes to the Financial Statements.

GERMAN TOWNSHIP
 MONTGOMERY COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
 IN FUND CASH BALANCE - FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Private Purpose Trust
Operating Cash Receipts:	
Earnings on Investments	\$ 45
Operating Cash Disbursements:	
Other Disbursements	1,159
Operating Income	(1,114)
Fund Cash Balances, January 1	40,142
Fund Cash Balances, December 31	\$ 39,028

See accompanying Notes to the Financial Statements.

GERMAN TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

German Township, Montgomery County (the Township) is a body corporate and politic established for the purpose of exercising 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, and fire protection. The Township contracts with the German Township Volunteer Fire Department to provide fire services.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Township prepares its financial statements following 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.)

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

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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:

GERMAN TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Township has 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 for constructing, maintaining and repairing Township roads.
- *Motor Vehicle License Tax Fund* - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining and repairing Township roads.
- *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 Fund* – This fund receives property tax proceeds to pay for the fire protection for the Township.

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

- *Public Works Issue II* – This fund receives grants to pay for the road projects in the Township.

GERMAN TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

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

- *Sunbury Cemetery Bequest* - This fund is used to account for resources restricted by legally binding trust agreements. This trust fund is maintained in perpetuity, and investment earnings are used for the upkeep of the cemetery.

Fiduciary Fund Type:

Private Purpose Trust: This fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Township's fiduciary fund is a Private Purpose Trust Fund.

- *W.K. Fouts Trust* - This fund is used to account for resources restricted by a legally binding trust agreement. The investment earnings of this fund are used for needy children.

E. BUDGETARY PROCESS

The Ohio Revised Code requires that each fund (except certain agency funds) 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.

GERMAN TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 5.

F. PROPERTY, PLANT AND EQUIPMENT

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

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.

H. FUND BALANCES

For the year ended December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted

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

GERMAN TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. FUND BALANCES – (Continued)

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Trustees. Those committed amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Trustees, which includes giving the Director of Finance the authority to constrain monies for intended purposes.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

GERMAN TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	2011	2010
Demand Deposits	\$ 614,984	\$ 662,617
Star Ohio	637,309	636,970
Total Deposits and Investment	<u>\$ 1,252,293</u>	<u>\$ 1,299,587</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

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.

4. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the Township has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not result in the reclassification of funds or the restatement of the Township's financial statements.

GERMAN TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

5. BUDGETARY ACTIVITY

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

2011 Budgeted vs Actual Receipts

<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 123,751	\$ 133,038	\$ 9,287
Special Revenue	2,034,579	2,117,344	82,765
Capital Projects	412,911	197,732	(215,179)
Permanent	-0-	3	3
Private Purpose	200	20	(180)

2011 Budgeted vs Actual Budgetary Basis Expenditures

<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 238,826	\$ 192,184	\$ 46,642
Special Revenue	2,986,861	2,104,698	882,163
Capital Projects	283,472	197,732	85,740
Permanent	900	0	900
Private Purpose	1,000	817	183

2010 Budgeted vs Actual Receipts

<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 154,407	\$ 180,894	\$ 26,487
Special Revenue	1,803,675	1,844,322	40,647
Capital Projects	508,993	454,219	(54,774)
Permanent	25	7	(18)
Private Purpose	800	45	(755)

2010 Budgeted vs Actual Budgetary Basis Expenditures

<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 231,025	\$ 165,205	\$ 65,820
Special Revenue	2,548,503	1,770,556	777,947
Capital Projects	454,259	454,219	40
Permanent	800	0	800
Private Purpose	1,500	1,159	341

GERMAN TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

6. LEASES

The Township entered into a lease agreement with Ohio Township Association Master Leasing Program for the lease of property. The Township leases the property under a non cancellable lease. The lease was for a total cost of \$165,000, not including interest or administrative fee. The property is leased to the Germantown Union Cemetery. Final lease payment is due 2015.

The Township received a total of \$10,100 and \$6,380 from the Cemetery to pay lease costs for the years ended December 31, 2011 and 2010, respectively.

Future lease payments for the above leases are as follows:

<u>Year Ending</u> <u>December 31:</u>	<u>Amount</u>
2012	\$ 17,925
2013	17,250
2014	16,575
<u>2015</u>	<u>20,900</u>
Total	<u>\$ 55,650</u>

7. RETIREMENT SYSTEM

Employees of the Township belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, 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 2011 and 2010, members of OPERS contributed 10 percent of their wages. The Township contributes an amount equal to 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

8. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio Townships. OTARMA provides property and casualty coverage for its members. American Risk Pool Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO.

**GERMAN TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

8. RISK MANAGEMENT – (Continued)

Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

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

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

Financial Position

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

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

At December 31, 2010 and 2009, respectively, liabilities above include approximately \$9.9 million and \$12.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$9.5 million and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$14,332.

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

**GERMAN TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

8. RISK MANAGEMENT – (Continued)

Contributions to OTARMA

2011	\$19,367
2010	17,115

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

9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

10. INTERFUND TRANSFERS

During 2010, the Township made the following transfers:

Fund	Transfers In	Transfers Out
General Fund	\$ -0-	\$ 831
Special Revenue Funds:		
Recreation Levy Fund	113	-0-
Fire Levy Fund	503	-0-
Senior Citizen Levy Fund	208	-0-
Drug Law Enforcement Fund	6	-0-
Law Enforcement Trust	<u>1</u>	<u>-0-</u>
Total	<u>\$ 831</u>	<u>\$ 831</u>

**GERMAN TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

10. INTERFUND TRANSFERS – (Continued)

During 2011, the Village made the following transfers:

Fund	Transfers In	Transfers Out
General Fund	\$ -0-	\$ 870
Special Revenue Fund:		
Recreation Levy Fund	165	-0-
Fire Levy Fund	427	-0-
Senior Citizen Levy Fund	188	-0-
EMS Fire Levy	85	-0-
Drug Law Enforcement Fund	1	-0-
Law Enforcement Trust	<u>4</u>	<u>-0-</u>
Total	<u>\$ 870</u>	<u>\$ 870</u>

The transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

German Township
Montgomery County
11179 State Route 725 West
Germantown, Ohio 45327

To the Board of Trustees:

We have audited the financial statements of German Township, Montgomery County (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated May 15, 2012, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. As described in Note 4, for the year ended December 31, 2011, the Township adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated May 15, 2012.

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

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.

May 15, 2012

**GERMAN TOWNSHIP
MONTGOMERY COUNTY**

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

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

FINDING NUMBER 2011-001

Material Weakness - Budgetary Entries in UAN System

The budgetary entries in the UAN system did not reconcile with the amended certificates of estimated resources or approved appropriation resolutions passed by the Board of Trustees. Therefore, the Board cannot properly monitor Township expenditures and receipts and management cannot adequately monitor budgetary regulations.

We recommend that the Fiscal Officer post all budgetary information to the computer system on a regular basis. This will enhance the Township's ability to monitor all budgetary receipts and expenditures in comparison to actual receipts and expenditures.

Officials' Response: The Fiscal Officer will include only those budgetary amounts reported to the County Auditor in the UAN system in the future.

GERMAN TOWNSHIP
MONTGOMERY COUNTY
DECEMBER 31, 2011 AND 2010

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	The budgetary entries in the UAN system did not reconcile with the amended certificates of estimated resources or approved appropriation resolutions passed by the Board of Trustees.	No	Not Corrected: This is repeated in the Schedule of Findings as item 2011-001.



Dave Yost • Auditor of State

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
JULY 03, 2012**