



**Auditor of State
Betty Montgomery**

VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
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, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2002.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2001.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2001.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	19

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Germantown
Montgomery County
75 North Walnut Street
Germantown, Ohio 45327

To the Village Council:

We have audited the accompanying financial statements of the Village of Germantown, Montgomery County, (the Village) as of and for the years ended December 31, 2002 and 2001. 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 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. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Germantown, Montgomery County, as of December 31, 2002 and 2001, 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 September 19, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, Village Council, 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

September 19, 2003

**VILLAGE OF GERMANTOWN
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>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$1,060,986	\$131,371		\$2,722		\$1,195,079
Special Assessments		85,190	\$14,708	7,031		106,929
Intergovernmental Receipts	259,664	624,740		119,861		1,004,265
Charges for Services	20,147	417		144,350		164,914
Fines, Licenses, and Permits	60,503	1,648				62,151
Rent		525				525
Donations		2,295				2,295
Earnings on Investments	40,523	1,730			\$411	42,664
Miscellaneous	91,370	38,600				129,970
Total Cash Receipts	<u>1,533,193</u>	<u>886,516</u>	<u>14,708</u>	<u>273,964</u>	<u>411</u>	<u>2,708,792</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	730,354	296,332				1,026,686
Community Environment	42,918					42,918
Basic Utility Services	14,516					14,516
Transportation		249,382				249,382
General Government	589,343	46,972				636,315
Debt Service:						
Principal Payments			860,000	19,700		879,700
Interest Payments			25,828	48,686		74,514
Capital Outlay	25,486	161,232		355,759		542,477
Total Cash Disbursements	<u>1,402,617</u>	<u>753,918</u>	<u>885,828</u>	<u>424,145</u>		<u>3,466,508</u>
Total Receipts Over/(Under) Disbursements	<u>130,576</u>	<u>132,598</u>	<u>(871,120)</u>	<u>(150,181)</u>	<u>411</u>	<u>(757,716)</u>
Other Financing Receipts and (Disbursements):						
Sale of Notes				930,923		930,923
Transfers-In		69,000	885,678	175,333		1,130,011
Advances-In	214,985			72,400		287,385
Transfers-Out	(200,768)	(92,115)		(793,563)		(1,086,446)
Advances-Out	(72,400)	(49,685)		(165,300)		(287,385)
Other Financing Disbursements				(2,646)		(2,646)
Total Other Financing Receipts/(Disbursements)	<u>(58,183)</u>	<u>(72,800)</u>	<u>885,678</u>	<u>217,147</u>		<u>971,842</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>72,393</u>	<u>59,798</u>	<u>14,558</u>	<u>66,966</u>	<u>411</u>	<u>214,126</u>
Fund Cash Balances, January 1	<u>105,258</u>	<u>138,962</u>	<u>17,572</u>	<u>190,094</u>	<u>22,714</u>	<u>474,600</u>
Fund Cash Balances, December 31	<u>\$177,651</u>	<u>\$198,760</u>	<u>\$32,130</u>	<u>\$257,060</u>	<u>\$23,125</u>	<u>\$688,726</u>
Reserves for Encumbrances, December 31	<u>\$30,246</u>	<u>\$6,367</u>	<u>\$0</u>	<u>\$36,986</u>	<u>\$0</u>	<u>\$73,599</u>

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

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,282,910
Miscellaneous	5,971
	1,288,881
Total Operating Cash Receipts	1,288,881
Operating Cash Disbursements:	
Personal Services	338,673
Contractual Services	700,334
Supplies and Materials	76,148
Maintenance	24,884
Capital Outlay	25,299
	1,165,338
Total Operating Cash Disbursements	1,165,338
Operating Income	123,543
Non-Operating Cash Receipts:	
Intergovernmental Receipts	17,101
	17,101
Non-Operating Cash Disbursements:	
Debt Service	
Principal	36,650
Interest	56,850
	93,500
Total Non-Operating Cash Disbursements	93,500
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	47,144
Transfers-In	121,500
Transfers-Out	(165,065)
	3,579
Net Receipts Over/(Under) Disbursements	3,579
Fund Cash Balances, January 1	340,230
Fund Cash Balances, December 31	\$343,809
Reserve for Encumbrances, December 31	\$6,588

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

**VILLAGE OF GERMANTOWN
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, 2001**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$1,041,167	\$112,043		\$5,898		\$1,159,108
Special Assessments		84,560	\$14,025	12,872		111,457
Intergovernmental Receipts	318,803	867,581		293,139		1,479,523
Charges for Services	6,172	1,134		61,766		69,072
Fines, Licenses, and Permits	38,333	2,332				40,665
Rent		1,995				1,995
Earnings on Investments	57,820	1,291		3,450	\$901	63,462
Miscellaneous	82,265	5,141				87,406
Total Cash Receipts	1,544,560	1,076,077	14,025	377,125	901	3,012,688
Cash Disbursements:						
Current:						
Security of Persons and Property	648,580	337,811				986,391
Community Environment	15,912					15,912
Basic Utility Services	2,766					2,766
Transportation		200,005				200,005
General Government	559,347	36,302				595,649
Debt Service:						
Principal Payments	85,000		2,360,000	24,100		2,469,100
Interest Payments	4,293		105,047	50,615		159,955
Capital Outlay	121,003	93,204		457,179		671,386
Total Cash Disbursements	1,436,901	667,322	2,465,047	531,894		5,101,164
Total Receipts Over/(Under) Disbursements	107,659	408,755	(2,451,022)	(154,769)	901	(2,088,476)
Other Financing Receipts and (Disbursements):						
Sale of Notes		90,000		1,255,000		1,345,000
Transfers-In		100,000	2,454,898	285,208		2,840,106
Advances-In	169,898			93,000		262,898
Transfers-Out	(305,314)	(404,695)		(2,050,203)		(2,760,212)
Advances-Out	(93,000)	(168,085)		(1,813)		(262,898)
Total Other Financing Receipts/(Disbursements)	(228,416)	(382,780)	2,454,898	(418,808)		1,424,894
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(120,757)	25,975	3,876	(573,577)	901	(663,582)
Fund Cash Balances, January 1	226,015	112,987	13,696	763,671	21,813	1,138,182
Fund Cash Balances, December 31	\$105,258	\$138,962	\$17,572	\$190,094	\$22,714	\$474,600
Reserves for Encumbrances, December 31	\$49,047	\$21,959		\$104,000		\$175,006

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

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,197,487
Miscellaneous	1,451
	1,198,938
Total Operating Cash Receipts	1,198,938
Operating Cash Disbursements:	
Personal Services	320,038
Contractual Services	635,983
Supplies and Materials	75,761
Maintenance	24,484
Capital Outlay	8,878
	1,065,144
Total Operating Cash Disbursements	1,065,144
Operating Income	133,794
Non-Operating Cash Receipts:	
Intergovernmental Receipts	8,622
Non-Operating Cash Disbursements:	
Debt Service	
Principal	27,000
Interest	58,200
	85,200
Total Non-Operating Cash Disbursements	85,200
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	57,216
Transfers-In	51,463
Transfers-Out	(131,357)
	(22,678)
Net Receipts Over/(Under) Disbursements	(22,678)
Fund Cash Balances, January 1	362,908
Fund Cash Balances, December 31	\$340,230
Reserve for Encumbrances, December 31	\$25,249

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, 2002 AND 2001**

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 Fund

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, 2002 AND 2001
(Continued)**

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 Construction, Maintenance and Repair – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

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

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds 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:

Warren Street Reconstruction – This fund receive proceeds of general obligation debt. This fund provides for the reconstruction of Warren Street.

Hillcrest Sewer Improvement – This fund received the proceeds of a Ohio Public Works Commission loan for sewer improvements.

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.

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

6. Fiduciary Funds (Trust and Agency Funds)

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 nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant fiduciary funds:

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Covered Bridge Fund (Expendable Trust) – 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 and object level of 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 reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 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, 2002 AND 2001
(Continued)**

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 was as follows:

	2002	2001
Demand deposits	\$103,364	\$214,497
Certificates of deposit	593,431	200,000
Total deposits	696,795	414,497
U.S. Government Securities	295,895	365,076
STAR Ohio	39,845	35,257
Total investments	335,740	400,333
Total deposits and investments	\$1,032,535	\$814,830

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: U.S. Government Securities 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, 2001 and 2002 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,767,872	\$1,714,458	(\$53,414)
Special Revenue	1,147,187	1,266,077	118,890
Debt Service	2,549,379	2,468,923	(80,456)
Capital Projects	2,507,231	2,010,333	(496,898)
Enterprise	1,376,550	1,259,023	(117,527)
Fiduciary	750	901	151
Total	\$9,348,969	\$8,719,715	(\$629,254)

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,945,218	\$1,884,262	\$60,956
Special Revenue	1,191,583	1,262,061	(70,478)
Debt Service	2,557,899	2,465,047	92,852
Capital Projects	3,108,215	2,687,910	420,305
Enterprise	1,384,775	1,306,950	77,825
Total	<u>\$10,187,690</u>	<u>\$9,606,230</u>	<u>\$581,460</u>

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,738,131	\$1,748,178	\$10,047
Special Revenue	1,139,305	955,516	(183,789)
Debt Service	903,241	900,386	(2,855)
Capital Projects	1,864,180	1,452,620	(411,560)
Enterprise	1,432,190	1,427,482	(4,708)
Fiduciary	500	411	(89)
Total	<u>\$7,077,547</u>	<u>\$6,484,593</u>	<u>(\$592,954)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,819,781	\$1,706,031	\$113,750
Special Revenue	1,114,731	902,085	212,646
Debt Service	905,530	885,828	19,702
Capital Projects	1,831,895	1,422,640	409,255
Enterprise	1,479,822	1,430,491	49,331
Fiduciary	6,000	0	6,000
Total	<u>\$7,157,759</u>	<u>\$6,347,075</u>	<u>\$810,684</u>

Contrary to Ohio law, expenditures exceeded the appropriation authority in the Senior Citizens fund by \$73,713 and the Permissive Tax fund by \$78,085 for the year ended December 31, 2001.

Also contrary to Ohio law, at December 31, 2001, the General fund (\$53,414), Fire Service fund (\$4,851), Water Capital Improvement fund (\$13,750), Municipal Building Rehab fund (\$21,116), Warrant St. Reconstruction fund (\$116,589), Hillcrest Sewer Improvement fund (\$104,000), Water Extension Debt fund (\$71,137), Sewer Revenue fund (\$15,966), and Swimming Pool fund (\$5,104) had deficiencies that reduced available resources below the current level of appropriation. Further, at December 31, 2002, the Street fund (\$29,838), Covered Bridge ODOT fund (\$59,324), and Warren St. Reconstruction fund (\$87,595) had deficiencies that reduced available resources below the current level of appropriation.

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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.

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, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Street Improvement Special Assessment Bonds	\$10,000	5.5% - 6.4%
Municipal Building Bonds	798,400	5.5% - 6.4%
Ohio Public Works Commission OWPC	123,923	0.01%
General Obligation Bonds	60,000	5.69%
General Obligation Notes	807,000	1.74% - 5.54%
Mortgage Revenue Bonds	<u>1,100,350</u>	5.0%
Total	<u><u>\$2,899,673</u></u>	

Outstanding special assessment bonds consist of bonds issued to fund street improvement projects. A portion of the debt will be repaid through affected property owner assessments. The remaining portion will be repaid through transfers from the General Fund.

Outstanding OPWC notes consist of loans to fund the Hillcrest Sewer Improvement. The debt will be repaid from revenues of the Village's sewer system.

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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, is scheduled as follows:

Year ending December 31:	Municipal Building Bonds	Ohio Public Works Commission	General Obligation Bonds	General Obligation Notes	Mortgage Revenue Bonds	Street Improvement Bonds
2003	70,252	623	8,660	823,914	88,000	10,640
2004	59,449	6,852	8,355		88,350	
2005	59,547	6,852	8,050		88,600	
2006	59,490	6,852	7,745		88,750	
2007	59,583	6,852	7,440		87,800	
2008 - 2012	297,533	34,259	32,625		441,700	
2013 - 2017	297,586	34,259	10,915		441,750	
2018 - 2022	297,520	34,259			440,050	
2023 - 2027	297,634	6,852			350	
Total	<u>\$1,498,594</u>	<u>\$137,660</u>	<u>\$83,790</u>	<u>\$823,914</u>	<u>\$1,765,350</u>	<u>\$10,640</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 2002 and 2001, 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 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

8. RISK MANAGEMENT

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% of 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

A. Note Issuance

On March 17, 2003, an ordinance was adopted for the issuance of notes, in the principal amount not to exceed \$155,000, for constructing Northeast Waterline Connector.

On March 17, 2003, an ordinance was adopted for the issuance of notes, in the principal amount not to exceed \$120,000, for constructing sewer system improvements.

On July 7, 2003, an ordinance was adopted for the issuance of bonds, in the principal amount not to exceed \$1,040,000, for the purpose of paying part of the cost of acquiring and constructing improvements of the sanitary sewer collection system.

On June 2, 2003, an ordinance was passed for the issuance of notes in the principal amount not to exceed \$105,300, for the construction of pavement, storm sewer, and related improvements to Warren Street.

On June 2, 2003, an ordinance was passed for the issuance of notes in the principal amount not to exceed \$95,000, for the construction of the South Butter Street Sanitary Sewage System.



**Auditor of State
Betty Montgomery**

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

Village of Germantown
Montgomery County
75 North Walnut Street
Germantown, Ohio 45327

To the Village Council:

We have audited the accompanying financial statements of the Village of Germantown (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated September 19, 2003. 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 Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 19, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 19, 2003.

This report is intended solely for the information and use of the management and Village Council, 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

September 19, 2003

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Ohio Rev. Code Section 5705.41 (D) requires that no order or contracts involving the expenditure of money is to be made unless there is attached thereto a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

This Section of the Code provides the following exception to the requirement:

If no certificate is issued at the time the contract or order is presented, the fiscal officer may execute a then and now certificate that states that there was, both at the time of the making of such a contract or order, and at the time of the execution of such certificate, a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. If the amount involved is greater than one thousand dollars, the taxing authority must authorize the drawing of a warrant with a resolution or ordinance within thirty days from execution of the then and now.

Amounts of less than \$1,000 (which was increased to \$3,000 as of April 7, 2003) may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the then and now certificate, provided that the expenditure is otherwise lawful.

The Village failed to properly certify funds for 40 out of 60 (67%) transactions tested and the exception above was not utilized. The Village should implement procedures to provide for timely certification of funds prior to incurring obligation of the Village.

FINDING NUMBER 2002-002

Ohio Rev. Code Section 5705.41(B) outlines the restrictions on the appropriation and expenditure of money by the Village. The requirement establishes that no subdivision or taxing unit is to expend money unless it has been appropriated. The Revised Code further outlines that appropriations should not be exceeded by expenditures and purchase commitments.

Budgetary laws and regulations were tested throughout the audit period at the legal level of control. The legal level of control is the level at which the appropriation resolution is adopted by the Village Council.

At December 31, 2001 actual expenditures plus outstanding encumbrances exceeded appropriations at a fund level in the following funds:

Fund	Appropriations	Actual Expenditures Plus Outstanding Encumbrances	Variance
Senior Citizens Fund	\$ 230,749	\$ 304,462	\$ (73,713)
Permissive Tax Fund	\$ -	\$ 78,085	\$ (78,085)

The Village should monitor appropriations and expenditures throughout the fiscal year, making amendments to its appropriations as needed to be compliance with this section of Ohio Revised Code. Implementing these procedures will also reduce the risk that the Village expends and encumbers more than was legally appropriated by the Council.

FINDING NUMBER 2002-003

Ohio Rev. Code Section 5705.36 allows all subdivisions to request a reduced amended certificate of estimated resources upon determination by the fiscal officer that revenue to be collected will be less than the amount in the official certificate of estimated resources. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The following funds have deficiencies that reduced available resources below the current level of appropriation:

Fund	Estimated Receipts	Actual Receipts	Variance
December 31, 2001			
General Fund	\$1,767,872	\$1,714,458	(\$53,414)
Special Revenue			
Fire Services	376,725	371,874	(4,851)
Capital Projects			
Water Capital Improvement	50,000	36,250	(13,750)
Municipal Building Rehab	59,596	38,480	(21,116)
Warren St. Reconstruction	901,050	784,461	(116,589)
Hillcrest Sewer Improvement	104,000	-	(104,000)
Enterprise			
Water Extension Debt	88,100	16,963	(71,137)
Sewer Revenue	463,500	447,534	(15,966)
Swimming Pool	72,900	67,796	(5,104)
December 31, 2002			
Special Revenue			
Street	256,300	226,462	(29,838)
Capital Projects			
Covered Bridge ODOT	59,424	100	(59,324)
Warren St. Reconstruction	424,552	336,957	(87,595)

The Village should monitor actual receipts versus estimated receipts throughout the year. When it is evident that actual receipts will be less than what was anticipated, an amended certificate of estimated resources should be obtained. This review should also encompass a review of appropriations at that time.

**VILLAGE OF GERMANTOWN
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30357-001	Ohio Revised Code 5705.39, appropriations exceeded total estimated revenue	Yes	
2000-30357-002	Ohio Revised Code 5705.41(B), expenditures exceeded appropriations	No	Repeated as Finding 2002-002.



**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

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
OCTOBER 14, 2003**