

CASS TOWNSHIP
RICHLAND COUNTY
REGULAR AUDIT
FOR YEARS ENDED DECEMBER 31, 2007 AND 2006

BALESTRA, HARR & SCHERER, CPAs, INC.
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com



Mary Taylor, CPA

Auditor of State

Board of Trustees
Cass Township
6523 Ganges Five Points Rd.
Shiloh, OH 44878

We have reviewed the *Independent Auditors' Report* of Cass Township, Richland County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2006 through December 31, 2007. 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 Auditors' 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 Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Finding for Recovery:

The accounting firm's testing revealed six cemetery receipts totaling \$1,395 which could not be traced to a bank deposit ticket and receipt ledger posting.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies collected but unaccounted for has been issued against John Holtz, Cemetery Sexton, Amy Thompson, Fiscal Officer, and Ohio Government Risk Management Plan, their bonding company, jointly and severally, in the amount of \$1,395 and in favor of the Cass Township, Cemetery Fund.

Finding for Recovery:

The accounting firm's testing revealed three receipts in which individuals were charged less than the Township's cemetery fee schedule. The amount undercharged for these three receipts totaled \$380.

Board of Trustees
Cass Township
7837 Planktown North Road
Shiloh, OH 44878
Page 2

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. Village of Linndale v. Masten (1985), 18 Ohio St. 3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies due but not collected has been issued against John Holtz, Cemetery Sexton, Amy Thompson, Fiscal Officer, and Ohio Government Risk Management Plan, their bonding company, jointly and severally, in the amount of \$380 and in favor of the Cass Township, Cemetery Fund.

Amy Thompson, Fiscal Officer, shall be secondarily liable for the amount due but not collected to the extent that recovery or restitution is not obtained from John Holtz, Cemetery Sexton.

Finding for Recovery Repaid Under Audit:

The accounting firm’s testing revealed one pay period in which an employee, Marvin Stuart’s time sheet hours did not agree to the hours for which he was paid. Based upon his hourly rate, this discrepancy resulted in an overpayment to him in the amount of \$391.20.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended has been issued against Marvin Stuart in the amount of \$391.20 and in favor of the Cass Township, Gas Tax Fund.

The \$391.20 was repaid to the Township by Mr. Stuart on December 7, 2008.

Finding for Recovery Repaid Under Audit:

The accounting firm’s testing revealed a total of 7 pay periods in which employee, John Holtz’s time sheet hours did not agree to the hours he was paid. In 2007, a net overage of 4 hours was noted and this resulted in an over payment of \$49.40 (gross pay). In 2006, a net overage of 16 hours was noted and this resulted in an over payment of \$192.80. The combined overpayment for the two years totaled \$242.20.

Board of Trustees
Cass Township
7837 Planktown North Road
Shiloh, OH 44878
Page 3

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended has been issued against John Holtz and Ohio Government Risk Management Plan, his bonding company, jointly and severally, in the amount of \$242.20 and in favor of the Cass Township, Cemetery Fund.

The \$242.20 was repaid to the Township by Mr. Holtz on December 8, 2008.

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. Cass Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 29, 2008

This Page is Intentionally Left Blank.

CASS TOWSHIP

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Funds - For the Year Ended December 31, 2007	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Funds - For the Year Ended December 31, 2006	4
Notes to the Financial Statements	5
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>	11
Schedule of Findings and Responses	13

This Page is Intentionally Left Blank.

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

Board of Trustees
Cass Township
Richland County, Ohio
7837 Planktown North Road
Shiloh, OH 44878

We have audited the accompanying financial statements of Cass Township, (the Township) as of and for the years ended December 31, 2007 and 2006. 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 that 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 to present the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards require 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, governments 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.

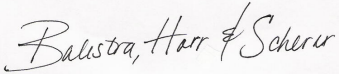
In our opinion, because of the effects of the matter discussed in preceding two paragraphs, the financial statements referred to above for the years ended December, 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Because of the inadequacy of accounting records supporting cemetery fund receipts for the years ended December 31, 2007 and 2006, we were unable to form an opinion regarding the amounts at which fines, licenses, and permits and miscellaneous revenue are recorded in the special revenue funds of the accompanying combined statements of cash receipts, cash disbursements and changes in fund cash balances for the years ended December 31, 2007 and 2006. Fines, licenses, and permits are stated at \$13,945 and \$14,345 in the accompanying combined statements of cash receipts, cash disbursements and changes in fund cash balances, which represents 5.7% and 5.6% of total cash receipts in special revenue funds for the years ended December 31, 2007 and 2006, respectively. Miscellaneous receipts in special revenue funds are stated at \$8,965 and \$16,832 in the accompanying combined statements of cash receipts, cash disbursements and changes in fund cash balances, which represents 3.7% and 6.6% of total cash receipts in special revenue funds for the years ended December 31, 2007 and 2006, respectively. Also, because of the inadequacy of accounting records supporting open encumbrances, we were unable to form an opinion regarding the portion of the Township's fund cash balance which was reserved for encumbrances, stated at \$87,390 and \$47,479 in the accompanying combined statements of cash receipts, cash disbursements and changes in fund cash balances, for the years ended December 31, 2007 and 2006, respectively.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had records concerning cemetery receipts and reserves for encumbrances been adequate, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2007 and 2006 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion & 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 August 29, 2008, 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.


Balestra, Harr & Scherer, CPAs, Inc.

August 29, 2008

**CASS TOWNSHIP
RICHLAND COUNTY**

Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Funds
For the Year Ended December 31, 2007

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent Fund</u>	
Cash Receipts:				
Property and Local Taxes	\$ 18,156	\$ 211,505	\$ -	\$ 229,661
Intergovernmental	59,141	5,295	-	64,436
Fines, Licenses & Permits	-	13,945	-	13,945
Earnings on Investments	5,917	3,276	-	9,193
Miscellaneous	802	8,965	-	9,767
	<u>84,016</u>	<u>242,986</u>	<u>-</u>	<u>327,002</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	67,057	-	-	67,057
Public Safety	-	68,570	-	68,570
Public Works	-	49,405	-	49,405
Health	-	40,895	-	40,895
Human Services	-	12,711	-	12,711
Conservation/Recreation	-	1,974	-	1,974
Capital Outlay	-	929	-	929
	<u>67,057</u>	<u>174,484</u>	<u>-</u>	<u>241,541</u>
Total Cash Disbursements				
Total Cash Receipts Over Cash Disbursements	<u>16,959</u>	<u>68,502</u>	<u>-</u>	<u>85,461</u>
Fund Cash Balances, January 1	<u>57,584</u>	<u>154,041</u>	<u>4,712</u>	<u>216,337</u>
Fund Cash Balances, December 31	<u><u>74,543</u></u>	<u><u>222,543</u></u>	<u><u>4,712</u></u>	<u><u>301,798</u></u>
Reserve for Encumbrances, December 31	<u><u>\$ 37,749</u></u>	<u><u>\$ 49,641</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 87,390</u></u>

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

**CASS TOWNSHIP
RICHLAND COUNTY**

Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Funds
For the Year Ended December 31, 2006

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent Fund</u>	
Cash Receipts:				
Property and Local Taxes	\$ 17,214	\$ 210,007	\$ -	\$ 227,221
Intergovernmental	34,221	12,406	-	46,627
Fines, Licenses & Permits	-	14,345	-	14,345
Earnings on Investments	802	386	-	1,188
Miscellaneous	16,151	16,832	-	32,983
Total Cash Receipts	<u>68,388</u>	<u>253,976</u>	<u>-</u>	<u>322,364</u>
Cash Disbursements:				
Current:				
General Government	73,186	-	-	73,186
Public Safety	-	37,156	-	37,156
Public Works	-	83,275	-	83,275
Health	298	15,995	-	16,293
Human Services	-	9,032	-	9,032
Conservation/Recreation	-	5,925	-	5,925
Capital Outlay	17,000	102,673	-	119,673
Total Cash Disbursements	<u>90,484</u>	<u>254,056</u>	<u>-</u>	<u>344,540</u>
Total Cash Receipts Under Cash Disbursements	<u>(22,096)</u>	<u>(80)</u>	<u>-</u>	<u>(22,176)</u>
Fund Cash Balances, January 1, Restated	<u>79,680</u>	<u>154,121</u>	<u>4,712</u>	<u>238,513</u>
Fund Cash Balances, December 31	<u><u>57,584</u></u>	<u><u>154,041</u></u>	<u><u>4,712</u></u>	<u><u>216,337</u></u>
Reserve for Encumbrances, December 31	<u>\$ 19,194</u>	<u>\$ 28,285</u>	<u>\$ -</u>	<u>\$ 47,479</u>

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

**CASS TOWNSHIP
RICHLAND COUNTY**

**Notes to the Financial Statements
December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Cass Township (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general government services, including road and bridge maintenance and cemetery maintenance.

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

B. Basis of Accounting

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

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

C. Cash

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Permissive Sales Tax Fund – This fund receives sales tax money for maintaining and repairing Township roads and equipment.

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

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

**CASS TOWNSHIP
RICHLAND COUNTY**

**Notes to the Financial Statements
December 31, 2007 And 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Road Fund – This fund receives tax money for the purpose of improving and maintaining roads within the Township.

Motor Vehicle License Tax Fund – This fund receives tax money for the purpose of improving and maintaining roads within the Township.

Cemetery Fund – This fund receives fees from the sale of lots, footers, and burial fees for the purpose of maintaining and operating the Township cemeteries.

Cemetery Levy Fund – This fund receives tax money for the purpose of improving and maintaining the Township cemeteries.

Miscellaneous Special Revenue Funds – This fund accounted for intergovernmental assistance received from the Federal Emergency Management Agency (FEMA).

3. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund.

Cemetery Bequest Fund- This fund is used to record interest income received on monies donated to the Mt. Hope Cemetery and is used for the general maintenance of the cemetery.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2007 and 2006 budgetary activity appears in Note 5.

**CASS TOWNSHIP
RICHLAND COUNTY**

**Notes to the Financial Statements
December 31, 2007 And 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$299,198	\$213,737
Certificates of deposit	2,600	2,600
Total deposits	<u>\$301,798</u>	<u>\$216,337</u>

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

3. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, PERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Township contributed an amount equal to 13.85% and 13.7%, respectively, of participants' gross salaries. Required contributions for 2007 and 2006 were 18,379 and 18,408, respectively. As of December 31, 2007, the Township had paid 82% of its required contribution for 2007, and 98% of its required contribution for 2006.

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Township.

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.

**CASS TOWNSHIP
RICHLAND COUNTY**

**Notes to the Financial Statements
December 31, 2007 And 2006
(Continued)**

5. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$52,865	\$84,016	\$31,151
Special Revenue	229,200	242,986	13,786
Permanent	75	-	(75)
Total	\$282,140	\$327,002	\$44,862

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$104,806	(\$104,806)
Special Revenue	0	224,125	(224,125)
Permanent	0	-	0
Total	\$0	\$328,931	(\$328,931)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$52,965	\$68,388	\$15,423
Special Revenue	222,880	253,976	31,096
Permanent	75	-	(75)
Total	\$275,920	\$322,364	\$46,444

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$142,986	\$109,678	\$33,308
Special Revenue	397,929	282,341	115,588
Permanent	0	-	0
Total	\$540,915	\$392,019	\$148,896

**CASS TOWNSHIP
RICHLAND COUNTY**

**Notes to the Financial Statements
December 31, 2007 And 2006
(Continued)**

6. RISK MANAGEMENT

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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 coverages, modified for each Member's needs. The plan pays judgments, settlements, and other expenses resulting from claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses.

Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform to generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31:

	<u>2007</u>	<u>2006</u>
Assets	\$11,136,455	\$9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Member's Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

Complete audited financial statements for The Ohio Government Risk Management Plan can be obtained at the Plan's website, www.ohioplan.org.

Health insurance and dental coverage is also available to employees through a private carrier.

Settled claims have not exceeded coverage in any of the past three years. No significant changes in coverage has occurred from prior years.

7. COMPLIANCE

Contrary to Ohio law, the Township did not pass an annual appropriation measure for the 2006 fiscal year until April 10, 2006 and did not pass an annual appropriation measure for 2007. Furthermore, the Township did not certify any appropriation amendments with the County Auditor.

Contrary to Ohio law, the Township's appropriations were in excess of estimated resources in the General, Road Levy and Permissive Sales Tax funds as of December 31, 2006.

Contrary to Ohio law, the Township's budgetary basis expenditures exceeded appropriations in all funds as of December 31, 2007.

Contrary to Ohio law, the Township did not maintain an accurate record of all monies received.

Contrary to Federal law, the Township was delinquent in filing IRS Tax Forms 941 for several quarters during the audit period. Furthermore, the Township did not remit payroll withholdings to the appropriate agencies accurately or in a timely manner.

**CASS TOWNSHIP
RICHLAND COUNTY**

**Notes to the Financial Statements
December 31, 2007 And 2006
(Continued)**

7. COMPLIANCE (Continued)

Contrary to Federal law, the Township reported inaccurate wage and withholding information on IRS Tax Forms W-2 issued to employees in 2006 and 2007.

Contrary to Ohio law, the Township did not file its 2007 annual financial report within the time required to ensure compliance with the Ohio Revised Code.

Contrary to Ohio law, the Township did not make timely deposits of receipts.

8. FUND RECLASSIFICATION

As a result of the required fund classifications as described in Auditor of State Technical Bulletin 2005-005, the Township began reporting its nonexpendable trust fund as a permanent fund in 2006. This change resulted in the following changes to fund cash balances as previously stated at December 31, 2005.

	Nonexpendable Trust Fund	Permanent Fund
Fund Balance December 31, 2005	\$ 4,712	\$ -
Elimination of Fund Type	(4,712)	4,712
Fund Balance January 1, 2006	\$ -	\$ 4,712

BALESTRA, HARR & SCHERER, CPAs, INC.
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**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
Cass Township
Richland County, Ohio
7837 Planktown North Road
Shiloh, 44878

We have audited the financial statements of Cass Township, Richland County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 29, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United State of America. We also noted that the Township's records supporting cemetery fund receipts and encumbrances were not sufficient to allow us to form an opinion regarding the amounts at which fines, licenses, and permits and miscellaneous revenue are recorded in the special revenue funds, and the amounts at which reserved for encumbrances are reported in the general and special revenue funds. 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*.

Internal Control 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 expressing our opinion on the financial statements, but not to opine 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 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 performing their assigned functions, 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 Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting. These items are identified in the accompanying schedule of findings as items 2007-01 through 2007-07.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

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 material weaknesses. However, of the significant deficiencies described above, we believe that findings 2007-01 through 2007-07 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated August 29, 2008.

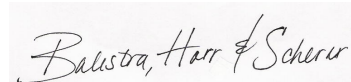
Compliance and Other Matters

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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-08 through 2007-16.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 29, 2008.

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

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

August 29, 2008

**CASS TOWNSHIP
RICHLAND COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2007 and 2006

Finding 2007-01

Material Weakness – Controls over Financial Reporting

While confirming tax and intergovernmental revenue, it was noted that several receipts were posted to the wrong fund and/or line item. It was also noted that the District failed to record its cemetery bequest fund as a permanent fund as required by AOS Technical Bulletin 2005-005. Furthermore, the District failed to record interest earned on the principal balance in its cemetery bequest fund in 2006 and 2007, however the amount of interest calculated was immaterial, therefore the financial statements were not adjusted. Several adjustments were required to be made because the financial statements were materially misstated.

The accompanying financial statements were adjusted to reflect adjustments to the following line items:

- Property and other local taxes
- Intergovernmental revenue
- Miscellaneous revenue

Furthermore, the District did not provide sufficient documentation to support the following balances:

- Special Revenue Funds – Fines, licenses & permits
- Special Revenue Funds – Miscellaneous revenue
- All funds – Reserved for encumbrances

The aforementioned errors were the result of a lack of internal controls over financial reporting.

The Township should implement application and monitoring controls to ensure that financial statement balances are accurately and completely stated.

Client Response:

The new Clerk has received UAN training as well as a visiting clerk to assist her with any questions. The new Clerk properly maintains all funds and revenue in the appropriate manner.

Finding 2007-02

Material Weakness – Controls over Accounting and Reporting

The Township has experienced several accounting and reporting issues as evidenced by the number of report findings, including the delay in the completion of the 2007 financial statements.

Financial information is vital to an organization's management in its continual effort to effectively make decisions to guide the organization. It is also important for management to receive timely feedback on the reliability of financial information summarized in the financial statements, notes to the financial statements, and schedules used to make these management decisions.

There was an obvious lack of controls over the financial accounting process, which need to be addressed promptly.

**CASS TOWNSHIP
RICHLAND COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2007 and 2006

Finding 2007-02 (Continued)

Material Weakness – Controls over Accounting and Reporting (Continued)

Failure to implement controls over the financial accounting process has resulted in the Township's records being inaccurate. Furthermore, the Township has been delinquent in filing tax returns, and payroll withholdings have not been accurately and timely remitted to the appropriate agencies. The Clerk also failed to certify all appropriate budgetary documents with the County Auditor. The Clerk also failed to provide necessary contract information and documentation, making it impossible to determine that the Township was compliant with certain sections of the Ohio Revised Code.

The Township should take the following steps in addressing these issues:

- Designate the Clerk and Trustees as having the primary responsibility of ensuring that all audit findings are properly addressed in a timely manner.
- Organize and hold monthly meetings to discuss and develop an action plan to address all audit findings, monitor progress on the action plan, and review specific action taken for each of the findings.
- Have the Clerk, in conjunction with the Trustees, develop a monthly, quarterly, and annual check sheet to document key actions performed which are an integral part of the financial accounting and reporting process. The check sheet(s) should include such items as monthly bank reconciliations, monthly financial reports, including a monthly review of budget and actual information and determination of whether budgetary documents require amendments, submission of various tax remittances for federal, state, and local governments, filing of appropriate forms for federal, state, and local governments, reconciliation of tax remittances with the appropriate tax forms, and any other key items. The check sheet should be prepared by the Clerk and approved by the Trustees.
- The Clerk should go over the check sheet at the monthly meetings, and it should be approved by the Trustees.

Client Response:

The clerk has presented a calendar of deadlines for financial reports to the Trustees. The trustees review and initial monthly bank reconciliations and fund balances. Trustees review and approve encumbered public monies.

Finding Number 2007-03

Material Weakness – Monitoring Control System

Monitoring controls comprise regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational, legal compliance, and financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions, investigate underlying causes, and take corrective action.

Monitoring controls should assist management in detecting material misstatements in the financial or other information presented. Such controls may include, but are not limited to, the following reviews by the Council:

- Monthly review of budget and actual activity including required submission of budgetary reports;
- Monthly review of unusual or significant items on the bank-to-book reconciliation, such as long outstanding checks or deposits;
- Planning for adequate segregation of duties or compensating controls;
- Ensuring the accounting records are properly designed.

**CASS TOWNSHIP
RICHLAND COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2007 and 2006

Finding Number 2007-03 (Continued)

Material Weakness – Monitoring Control System (Continued)

The Township has not implemented an effective monitoring control system which would assist management in detecting material misstatements in financial or other information.

Failure to properly monitor the Township's financial activities has resulted in the Township's records being inaccurate. Monthly bank reconciliations were not timely performed or reviewed by Trustees during the audit period. Furthermore, the Township has been delinquent in filing tax returns, and payroll withholdings have not been accurately and timely remitted to the appropriate agencies. The Clerk also failed to certify all appropriate budgetary documents with the County Auditor. Failure to develop and implement a monitoring control system could also result in misappropriation of the Township's assets.

The Township should develop and implement a monitoring control system to prevent material misstatements or misappropriation of assets from occurring.

Client Response:

The new Clerk presents all financial information to the Trustees. The new Clerk presents monthly bank reconciliations that the Trustees review and initial. The new Clerk performs monthly bank reconciliations and presents those and all fund activity to the Trustees. The new Clerk lists all checks, check numbers, and amounts on the minutes.

Finding Number 2007-04

Material Weakness – Manual Checks

It is important that the Township's accounting system contain accurate information regarding checks written to ensure that expenditures recorded are accurate and complete. The check numbers and payees documented in the system should agree to those on the check. Furthermore, it is extremely important that the payroll system contain accurate and complete information to ensure that required tax forms are prepared timely with accurate information.

Instances were noted during the audit period in which the check numbers documented in the UAN payroll system did not agree to the check numbers on the cancelled checks. Instances were also noted in which the check numbers documented in the UAN payroll system corresponded with checks written for nonpayroll expenditures.

These errors occurred because the clerk wrote a significant number of manual checks, and recorded incorrect information regarding those checks into the UAN system.

As a result, the Township's accounting system contains inaccurate information, which contributed to several tax forms, payroll reports being inaccurate, and cumbersome bank reconciliations.

The Township should not write manual checks unless an emergency requires them to do so. The Township should also develop and implement procedures to ensure that information entered into its accounting system is accurate and complete.

**CASS TOWNSHIP
RICHLAND COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2007 and 2006

Finding Number 2007-04 (Continued)

Material Weakness – Manual Checks (Continued)

Client Response:

All checks are printed using the UAN software. No manual checks have been written since April 2008. Check numbers are printed in sequence. All payroll information is entered into the computer using the UAN system. All checks are printed from the UAN system.

Finding Number 2007-05

Material Weakness – Timesheets

Hourly employees should be required to either document their time with the use of a time-clock and timecards, or to prepare timesheets documenting their hours worked each pay period to support wages paid. These timesheets/timecards should be on forms approved by a supervisor. They should document beginning and ending times, as well as lunch breaks and any other unpaid breaks, and should be formally approved by their supervisors, indicated with a signature. The number of hours recorded on the timesheet should be recomputed to ensure that the total amount of hours worked is accurate and complete.

The Township could not provide timesheets to support several payments made to hourly employees during the audit period. Furthermore, the timesheets that were provided were not formal and uniform for both hourly employees, nor were they signed by anyone indicating approval. Furthermore, on some timesheets provided for audit, instances were noted in which the hours paid did not agree with the hours worked per the employees' timesheets.

Failing to maintain timesheets supporting payments made to hourly employees makes it impossible to determine if employees were compensated correctly. Failing to require employees to complete formal timesheets, signed by their supervisors, could result in employees being paid for time not worked. Failing to recompute the total number of hours worked resulted in overpayments to the Township's hourly employees in 2006 and 2007.

The Township should develop and implement procedures to ensure that employees' pay is calculated accurately. These should include either the use of timecards and a timeclock, or a formal timesheet in a format approved by the Trustees. The Township should also require that timecards/timesheets are approved by the employees' supervisor. Timesheets/timecards should be recomputed for accuracy in order to determine that employees are compensated correctly.

Client Response:

The Township has installed a time clock and time sheets. All hourly employees must clock in and clock out on a daily basis. The clerk re-computes and verifies that the total hours are correct. The Clerk issues payroll checks and attaches the timesheets for the trustees to verify and approve.

**CASS TOWNSHIP
RICHLAND COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2007 and 2006

Finding Number 2007-06

Material Weakness – Cemetery Receipts

While testing revenues received into the Cemetery fund, several discrepancies were noted between the amount received per the revenue ledger, the amount received per the duplicate receipt, and the amount deposited per the deposit slip.

The following issues were noted during testing:

- In 2006, duplicate receipts were not provided to support \$2,925 in payments received.
- In 2006, the amount deposited in the bank did not agree to the amount received per the revenue ledger for 2 receipts, and no duplicate receipt was provided as support. The total per the deposit slips was \$565, and the total per the revenue ledger was \$375.
- In 2006, one receipt was noted with which the duplicate receipt and deposit slip agreed to one another, but not to the revenue ledger. The total per the duplicate receipt and deposit slip was \$145, and the total per the revenue ledger was \$245.
- In 2006, one receipt was supported by a duplicate receipt, but there was no evidence that the receipt was recorded in the revenue ledger or deposited in the bank. The total (per the duplicate receipt) was \$275.
- In 2007, duplicate receipts were not provided to support \$3,775 in payments received.
- In 2007, 2 receipts were noted in which the revenue ledger and deposit slip agreed to one another, but not to the duplicate receipt. The total per duplicate receipts was \$890, and the total per revenue ledger and deposit slip was \$1,445.
- In 2007, one receipt was noted in which the duplicate receipt and deposit slip agreed to one another, but the receipt was not recorded in the revenue ledger. The total was \$225.
- In 2007, one receipt in the amount of \$225 was recorded on the revenue ledger, but not deposited or supported by a duplicate receipt.
- In 2007, 5 receipts were supported by duplicate receipts, but there is no evidence that the receipts were recorded in the revenue ledger or deposited in the bank. The total (per the duplicate receipts) was \$1,120.

The aforementioned errors were the result of a lack or failure of controls over the receipt of cemetery fund revenues. This lack of controls has resulted in receipts being misstated and possibly misappropriated.

The Township should implement application and monitoring controls to ensure that receipts are accurately and completely stated, and to reasonably prevent misappropriation of funds.

Client Response:

The Township has implemented 3-part numbered receipts. This will provide accurate verification and tracking of revenue. The Township Cemetery Sexton will receive a new book when the used one is turned into the Clerk. The Clerk will maintain the receipt books. All revenue is deposited in the bank within 72 hours. The bank stub is then attached to the deposit slip for accurate and traceable verification of funds.

**CASS TOWNSHIP
RICHLAND COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2007 and 2006

Finding Number 2007-07

Material Weakness – Cemetery Fees

While testing revenues received into the Cemetery fund, several instances were noted in which the fee charged did not agree to the fee schedule. The following issues were noted during testing:

- In 2006, receipt no. 81-2006 in the amount of \$350 was for the cost of opening/closing a grave. The approved fee per the fee schedule for a nonresident is \$500.
- In 2006, receipt no. 102-2006 in the amount of \$650 was for the cost of opening/closing a grave. The approved fee per the fee schedule for a resident is \$250.
- In 2006, receipt no. 54-2006 in the amount of \$170 was for the purchase of a lot. The approved fee per the fee schedule for a nonresident, 1 grave lot is \$225.
- In 2006, receipt no. 85-2006 in the amount of \$445 was for the purchase of a lot. The approved fee per the fee schedule for a resident, 5 grave lot is \$275.
- In 2007, receipt no. 139-2007 in the amount of \$500 was for the cost of opening/closing a grave. The approved fee per the fee schedule for a resident is \$250.
- In 2007, the township received \$100 for a nonresident, 2 grave lot, according to the deed book and duplicate receipt. However, this receipt was not recorded in the revenue ledger, therefore there is no receipt number. The approved fee for a nonresident, 2 grave lot is \$275.

The aforementioned errors were the result of a lack or failure of controls over the receipt of cemetery fund revenues. The cause could be due to a number of factors. The deed book could have incorrect information regarding the status of whether the deceased was a resident or nonresident. The receipt ledger could have incorrect information regarding the purpose for which the revenue was received (i.e. – open/close grave, purchase of lot, etc). The correct fee could have been charged, then recorded incorrectly into the revenue ledger. The wrong amount could have been charged as well. Due to the lack of controls, it is impossible to determine exactly what caused the errors noted above.

The Township should implement application and monitoring controls to ensure that fees charged are consistent with the fee schedule approved by council, to ensure that receipts are accurately and completely stated and documented in the deed book, and to reasonably prevent misappropriation of funds.

Client Response:

The new Clerk has implemented a 3-part receipt books for accurate receipt of revenue. The clerk has posted the price of lots and opening and closing fees. The new Clerk will begin to enter “resident” and “non-resident” on all cemetery deeds for accurate verification of revenue received.

**CASS TOWNSHIP
RICHLAND COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2007 and 2006

Finding Number 2007-08

Material Noncompliance – Failure to Pass an Annual Appropriation Measure

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Township did not pass an annual appropriation measure for the 2006 Fiscal Year until April 10, 2006. The Township did not pass an annual appropriations measure for 2007.

Failure to pass and modify annual appropriations according to ORC requirements could result in the Township overspending, leading to negative fund balances.

The Township should pass an annual appropriations measure within the required time frame, and file it with the County Auditor. Furthermore, appropriations should be monitored and amended as necessary.

Client Response:

An appropriations meeting has been scheduled for January 3rd 2009. All necessary business regarding appropriations will be conducted at that time.

Finding Number 2007-09

Material Noncompliance – Failure to File Appropriation Amendments

Ohio Revised Code Section 5705.40 states in part that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them.

The Township did not certify any appropriation amendments with the County Auditor.

Failing to amend appropriations as necessary could result in the Township overspending, leading to negative fund balances.

The Township should monitor appropriations and pass amendments as necessary. Amendments to appropriations should be certified by the County Auditor and posted to the Township's accounting system in a timely manner.

Client Response:

The new Clerk presents all financial information to the Trustees for verification. The new Clerk has submitted the proper documentation to the Richland County Auditor's Office and received a certificate of appropriations not exceeding encumbrances.

**CASS TOWNSHIP
RICHLAND COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2007 and 2006

Finding Number 2007-10

Material Noncompliance – Appropriations in Excess of Estimated Resources

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations were in excess of estimated resources plus unencumbered beginning balances in the following funds at 12/31/06:

- General Fund (1000) - \$10,341
- Road Levy (2191) - \$11,200
- Permissive Sales Tax (2241) - \$49,680

Appropriations were not passed for 2007.

Appropriations in excess of estimated resources could result in overspending, leading to negative fund balances.

The Township should ensure appropriations and estimated resources are monitored, and that revisions are made as necessary.

Client Response:

The Township was issued a Certificate stating that the appropriations do not exceed the estimated revenue from the County Auditor in May 2008.

Finding Number 2007-11

Material Noncompliance – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states in part that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Township did not certify annual appropriations with the County Auditor in 2007, therefore expenditures plus outstanding encumbrances were in excess of appropriations in all funds at 12/31/07.

Expenditures in excess of appropriations could result in negative fund balances and overspending.

The Township should ensure that annual appropriations are passed timely, appropriations and expenditures are monitored, and that revisions are made as necessary.

Client Response:

The Richland County Auditor issued a certificate of appropriations not exceeding estimated revenue in May 2008.

**CASS TOWNSHIP
RICHLAND COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2007 and 2006

Finding Number 2007-12

Material Noncompliance – Inaccurate Accounting Records

Ohio Revised Code Section 733.28 provides that the Township clerk shall keep the books of the Township, exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Township and income derived. In addition, Ohio Administrative Code Section 117-2-02(A) states that all public offices are required to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance related legal and contractual requirements, and prepare financial statements required by rule 117-2-03 of the administrative code.

The Township clerk did not maintain an accurate record of all monies received. The accounting records of the Township were incomplete and inaccurate.

Failure to provide accurate and complete financial information limits management's resources for decision making and can provide a false perception of the Township's financial position. Failure to accurately prepare and reconcile the accounting records reduces the accountability over Township funds, reduces the Trustees' ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected, and increases the likelihood that the Township's financial statements will be misstated. Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well as to ensure that all recorded transactions have been deposited with the financial institution. Failure to timely and accurately remit payroll withholdings to the appropriate agencies can cause the Township to be liable for penalties and interest. Failure to properly certify budgetary documents can result in overspending funds and negative cash balances.

The Township should implement procedures to ensure that receipts are accurately and completely stated, and to ensure that the accounting records of the Township are accurate and complete. The Township should also implement procedures to ensure that payroll withholdings withheld are timely and accurately remitted to the appropriate agencies. The Township should also ensure that all budgetary documents are properly certified.

Client Response

All money is receipted into the UAN system. Bank Reconciliations are completed on a monthly basis and presented at the Township Meetings.

All payroll is entered into the system and deductions are computed accurately. All withholdings of payroll are reported and paid in a timely manner, usually within 14 days.

Finding Number 2007-13

Material Noncompliance – Payroll Taxes and Filings

Federal income tax regulations require the Township to prepare the IRS Tax Form 941 on a quarterly basis, and to make monthly deposits of Medicare and Income Tax withholdings. Various Ohio Revised Code Sections also require the Township to withhold from the employees' wages, or pay on behalf of the employees, a certain percentage of earned wages as defined and to remit to the appropriate system the amounts withheld, matched with an appropriate percentage of employer matching contributions.

The Township was delinquent in filing IRS Tax Forms 941 for the 4th quarter in 2006, and the 2nd, 3rd, and 4th quarters in 2007. Furthermore, the Township did not remit payroll withholdings to the appropriate agencies accurately or in a timely manner.

**CASS TOWNSHIP
RICHLAND COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2007 and 2006

Finding Number 2007-13 (Continued)

Material Noncompliance – Payroll Taxes and Filings (Continued)

Failure to file the required forms with the appropriate taxing agencies resulted in non-compliance with federal income tax requirements, and has resulted in unnecessary interest and penalties for which the Township is liable. The Township has also fallen behind in paying withholdings and matching requirements to the Ohio Public Employees Retirement System (OPERS), resulting in noncompliance with the Ohio Revised Code.

The Township should develop and implement procedures to ensure that all required tax deposits are made and the appropriate tax forms are prepared accurately and completely, and are submitted in accordance with applicable requirements. The Township should contact all taxing authorities (federal, state and local), as well as the Ohio Public Employees Retirement System, and obtain documentation to determine what forms have been submitted, those that remain unsubmitted, whether balances are still owed to these agencies, and to settle these liabilities to ensure accounts are up to date. We also recommend that the Township contact the Internal Revenue Service (IRS) taxpayer advocate services to determine whether the IRS can waive any of the penalties and interest incurred by the Township.

Client Response:

The Clerk will attach all tax forms with checks to verify that the proper tax forms are filed. The Trustees will review and approve the tax filing and sign the checks. This will allow the trustees to verify that all reports are being filed in a timely manner.

Finding Number 2007-14

Material Noncompliance – Computation of W-2s

Federal income tax regulations require the Township to prepare the IRS Tax Form W-2 certifying an employee's wages, federal, state, and local income tax withholdings, and Medicare withholdings. In order to prepare accurate W-2s, it is important that information entered into the payroll system is accurate and complete.

IRS Tax Forms W-2 issued to employees in 2006 and 2007 reported inaccurate wage and withholding information.

The Clerk issued several manual payroll checks, and failed to enter accurate payroll information into the UAN system, from which W-2s are created. This caused the W-2s to contain inaccurate information regarding wages and withholdings.

Failure to prepare accurate IRS Tax Forms W-2 results in employees paying the incorrect amounts for federal, state and local income taxes, as well as Medicare tax.

The Township should recalculate and issue IRS Tax Forms W-2C for all effected employees, and should ensure that the W-2C forms reflect information documented on the IRS Tax Form W-3. In the future, the Township should ensure that the information submitted in the IRS Tax form W-3 coincides with that reported on State and Local income tax forms, as well as IRS Tax Forms 941.

Client Response:

All Payroll is entered into the computer. The information is true, accurate and complete. All tax withholdings are current and up to date. The new clerk re-calculates the time sheets for accuracy.

**CASS TOWNSHIP
RICHLAND COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2007 and 2006

Finding Number 2007-15

Material Noncompliance – Timely Filing of Financial Reports

Ohio Revised Code Section 117.38 provides that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State (AoS) may prescribe by rule or guidelines the forms for these reports. However, if the AoS has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The AOS may waive these penalties, upon the filing of the past due financial report.

The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Township Clerk did not file its 2007 annual financial report with the Auditor of State within the time required to ensure compliance with the Ohio Revised Code. Furthermore, the Clerk did not publish notice in the local newspaper stating that the Township's annual financial report was available for public inspection.

Failure to file annual reports as required causes the audit to be delayed. Timely feedback on the reliability of financial information summarized in the financial statements, notes to the basic financial statements, and schedules is important, because management uses the information provided in the financial report to effectively make decisions and to guide the organization.

The Township should implement procedures to ensure that its annual financial report is filed accurately and timely, and that notice is published in the local newspaper stating that the financial report is available for public inspection.

Client Response:

All annual reports have been filed and are current as of this date (August 6th 2008). The township has also paid all outstanding fines, penalties and interest incurred as a result of the former clerk's negligence.

Finding Number 2007-16

Material Noncompliance – Timely Deposits

Ohio Revised Code Section 9.38 provides that Public money must be deposited with the treasurer of the public office *or* to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day following the date of receipt.

The section goes on to say that if the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the first business day following the date of receipt.

**CASS TOWNSHIP
RICHLAND COUNTY**

Schedule of Findings and Responses
For the Fiscal Years Ended December 31, 2007 and 2006

Finding Number 2007-16 (Continued)

Material Noncompliance – Timely Deposits (Continued)

The Township Clerk did not make timely deposits, as required by Section 9.38 of the Ohio Revised Code during the audit period. Per review of deposit slips and bank statements, the Clerk usually made only 1-2 deposits per month, and sometimes not even as frequent as monthly.

Failure to deposit money as required by the Ohio Revised Code results in an increase in the likelihood that misappropriation of funds or theft may occur.

The Township should ensure that public money is deposited as required by the Ohio Revised Code.

Client Response:

The trustees passed a resolution to give the Fiscal Officer 72 hours to make deposits. All deposits are made in a timely manner within the 72 hour timeframe. All deposits have the deposit stub attached to the deposit slip for verification of date and amount of deposit.



Mary Taylor, CPA
Auditor of State

CASS TOWNSHIP

RICHLAND 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
JANUARY 8, 2009**