



Mary Taylor, CPA  
Auditor of State



**SHAWNEE TOWNSHIP CEMETERY ASSOCIATION  
ALLEN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance – General Fund - For the Year Ended December 31, 2006 .....	5
Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance – General Fund - For the Year Ended December 31, 2005 .....	6
Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance – General Fund - For the Year Ended December 31, 2004 .....	7
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Findings.....	23

**This page intentionally left blank.**



**Mary Taylor, CPA**  
Auditor of State

Shawnee Township Cemetery Association  
Allen County  
2530 Ft. Amanda Rd.  
Lima, Ohio 45804

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

November 21, 2007

**This page intentionally left blank.**



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Shawnee Township Cemetery Association  
Allen County  
2530 Ft. Amanda Rd.  
Lima, Ohio 45804

To the Board of Directors:

We were engaged to audit the accompanying financial statements of the Shawnee Township Cemetery Association, Allen County, (the Cemetery), as of and for the years ended December 31, 2006, 2005 and 2004. These financial statements are the responsibility of the Cemetery's management. Our responsibility was to express an opinion on these financial statements based on our audit.

As described more fully in Note 1, the Cemetery 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 fund the accompanying financial statements present, GAAP requires presenting entity wide statements. While the Cemetery does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Cemetery 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 fourth following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Cemetery as of December 31, 2006, December 31, 2005 and December 31, 2004, or its changes in financial position for the years then ended.

We were unable to obtain representations from Cemetery management on acknowledgment of its responsibility for the fair presentation in the financial statements, or the completeness, recognition, measurement, disclosure, or subsequent events affecting the amounts reported in the financial statements.

The January through September 2004 voucher packets; 2006 and 2005 W-2's, 2006, 2005 and 2004 deposit slips; 2006 and 2005 cemetery deeds; 2006, 2005, and 2005 invoices for grave openings and closings; receipts and appropriation ledgers after August 2004, and some of the minutes from 2006 and 2005; supporting existence, completeness and accuracy of receipts and disbursements reported on the financial statements for 2006, 2005 and 2004 were not available for audit.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Because of the significance of the matters stated in the preceding two paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in paragraph 1 for the years ended December 31, 2006, 2005 and 2004.

The Cemetery has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2007, on our consideration of the Cemetery'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 engagement.

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

**Mary Taylor, CPA**  
Auditor of State

November 21, 2007



**SHAWNEE TOWNSHIP CEMETERY ASSOCIATION  
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN FUND CASH BALANCE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Cash Receipts:</b>	
Foundation	\$3,349
Interment Fees	10,100
Lot Sales	6,790
Miscellaneous	64
Total Cash Receipts	<u>20,303</u>
<b>Cash Disbursements:</b>	
<b>Current:</b>	
Excavating - Grave Digging	2,058
Fuel	876
Insurance	1,201
Miscellaneous	85
Office Expenses	1,057
Payroll Expenses	17,791
Postage and Delivery	20
Professional Fees	750
Repairs and Maintenance	7,235
Small Tools & Minor Equipment	50
Utilities	371
Other Expenses	266
Total Cash Disbursements	<u>31,760</u>
Total Receipts (Under) Disbursements	<u>(11,457)</u>
Fund Cash Balance, January 1	<u>97,430</u>
Fund Cash Balance, December 31	<u><u>\$85,973</u></u>

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

**SHAWNEE TOWNSHIP CEMETERY ASSOCIATION  
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN FUND CASH BALANCE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Cash Receipts:**

Charges for Services	
Sale of Lots	
Interest	\$46
Miscellaneous	2,627
Total Cash Receipts	<u>2,673</u>

**Cash Disbursements:**

**Current:**

Salaries	
Supplies	4,343
Equipment	1,627
Contracts - Services	4,300
Public Employees' Retirement	4,396
Medicare	
Workers Compensation	365
Miscellaneous	84

Total Cash Disbursements	<u>15,115</u>
Total Receipts(Under) Disbursements	<u>(12,442)</u>
Fund Cash Balance, January 1	<u>109,872</u>
<b>Fund Cash Balance, December 31</b>	<b><u><u>\$97,430</u></u></b>

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

**SHAWNEE TOWNSHIP CEMETERY ASSOCIATION  
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN FUND CASH BALANCE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Cash Receipts:**

Charges for Services	\$12,500
Sale of Lots	12,425
Interest	74
Miscellaneous	2,627
Total Cash Receipts	<u>27,626</u>

**Cash Disbursements:**

Current:	
Salaries	13,038
Supplies	2,948
Equipment	527
Contracts - Services	7,338
Public Employees' Retirement	1,827
Medicare	197
Workers Compensation	444
Miscellaneous	887
Total Cash Disbursements	<u>27,206</u>

Total Receipts Over Disbursements	<u>420</u>
Fund Cash Balance, January 1	<u>109,452</u>
<b>Fund Cash Balance, December 31</b>	<b><u><u>\$109,872</u></u></b>

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

**This page intentionally left blank.**

**SHAWNEE TOWNSHIP CEMETERY ASSOCIATION  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Shawnee Township Cemetery Association, Allen County, (the Cemetery), 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 Cemetery is directed by an appointed three-member Board of Directors appointed by the Shawnee Township Trustees. This entity also provides funding, when necessary, to meet the Cemetery's operating costs. The Cemetery provides grounds maintenance, opening and closing of graves, and the sale of cemetery lots.

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

**B. Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

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

**D. Fund Accounting**

The Cemetery uses fund accounting to segregate cash that are restricted as to use. The Cemetery classifies its fund into the following type:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**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 must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure as part of Shawnee Township's appropriations.

**SHAWNEE TOWNSHIP CEMETERY ASSOCIATION  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Cemetery to reserve (encumber) appropriations when commitments are made. The Cemetery did not use the encumbrance method of accounting.

For the years 2006, 2005 and 2004, the Cemetery failed to comply with various budgetary requirements of the Ohio Revised Code. As a result Ohio Rev. Code Sections 5705.36, 5705.38, 5705.41(B), and 5705.41(D) were violated. Additionally, the Cemetery did not routinely follow requirements regarding timely deposits, interim deposits, maintenance of public records, signing checks, and remittance of taxes.

**F. Property, Plant, and Equipment**

The Cemetery records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**2. EQUITY IN POOLED CASH**

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

	<b>2006</b>	<b>2005</b>	<b>2004</b>
Demand deposits	\$16,475	\$10,273	\$21,463
Certificates of deposit	84,287	96,018	94,361
Total deposits	100,762	106,291	115,824

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation. The Cemetery did not provide evidence of collateral for deposits in excess of \$100,000, contrary to Ohio Rev. Code Section 135.18.

**3. RETIREMENT SYSTEM**

The Cemetery's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 OPERS members contributed 9% of their gross salaries and the Cemetery contributed 13.7% of participants' gross salaries. For 2005 and 2004, OPERS members contributed 8.5% of their gross salaries and the Cemetery contributed equaling 13.55% of participants' gross salaries. The Cemetery has paid all contributions required through December 31, 2006.

**SHAWNEE TOWNSHIP CEMETERY ASSOCIATION  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006, 2005 AND 2004  
(Continued)**

**4. RISK MANAGEMENT**

**Commercial Insurance**

The Cemetery has obtained commercial insurance for the following risks:

- Property Damage Liability
- Medical Payments
- Advertising Injury Liability
- Personal Injury Liability
- Business Personal Property and Personal Property of Others

**This page intentionally left blank.**





# Mary Taylor, CPA

Auditor of State

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

Shawnee Township Cemetery Association  
Allen County  
2530 Ft. Amanda Road  
Lima, Ohio 45804

To the Board of Directors:

We were engaged to audit the financial statements of the Shawnee Township Cemetery Association, Allen County, (the Cemetery), as of and for the years ended December 31, 2006, 2005 and 2004, and have issued our report thereon dated November 21, 2007, wherein we noted the Cemetery followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that we did not express an opinion on the 2006, 2005 and 2004 financial statements because we were unable to obtain representations from Cemetery management on acknowledgement of its responsibility for the fair presentation of the financial statements and the Cemetery could not provide support documentation for January through September 2004 voucher packets; 2006 and 2005 W-2's, 2006, 2005 and 2004 deposit slips; 2006 and 2005 cemetery deeds; 2006, 2005, and 2005 invoices for grave openings and closings; receipts ledgers after August 2004, and some of the minutes from 2006 and 2005

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Cemetery'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 Cemetery's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Cemetery'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 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 Cemetery'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 Cemetery's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-002 through 2006-006 and 2006-010.

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

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 findings 2006-004 through 2006-006 and 2006-010 are also material weaknesses.

We also noted a certain matter that we reported to the Cemetery's management in a separate letter dated November 21, 2007.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Cemetery'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 2006-001, and 2006-007 through 2006-016.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Cemetery's management in a separate letter dated November 21, 2007.

We intend this report solely for the information and use of the management and the Board of Directors. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 21, 2007

**SHAWNEE TOWNSHIP CEMETERY ASSOCIATION  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006, 2005 AND 2004**

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

**FINDING NUMBER 2006-001**

**Finding for Recovery/Repaid Under Audit**

From January to September 2004 the Secretary/Treasurer was paid \$220 once per month. Beginning October 1, 2004 Michele VanMeter was hired as the new Secretary/Treasurer and was also paid a monthly salary of \$220 per month. Michele VanMeter was paid her full monthly salary twice in the months of September, October, and December 2006. There was no documentation that she was entitled to extra wages for those months. As a result, Michele Van Meter received a total salary overpayment in the amount of \$660.00 for these months.

On April 4, 2006, check # 2632 was issued to Office Depot. Included on the invoice for this vendor was a purchase of a \$30 money card. There is no evidence that this money card was for the benefit of the Shawnee Township Cemetery Association.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against former Secretary/Treasurer Michelle VanMeter in the amount of \$690 in favor of the Shawnee Township Cemetery Association.

This Finding for Recovery was repaid by Carla L. Krohn on December 1, 2007 with receipt number 0424.

Prior to approval, the Directors should verify that expenditures are a valid obligation of the Cemetery.

**FINDING NUMBER 2006-002**

**Significant Deficiency**

**Maintaining Documentation on the Establishment of the Cemetery**

To provide guidance on the organizational structure of the entity and help prevent potential legal issues, a copy of the document that established a governmental entity should be on file with the entity. The Cemetery did not have a copy of the legal document that established its existence. The Shawnee Cemetery's Board of Directors was appointed by Shawnee Township pursuant to Ohio Rev. Code Section 517.20 which gives the appearance that the Cemetery is actually part of Shawnee Township.

The failure to maintain a proper legal organization may result in the inefficient use of public money, the inability to receive State of Federal Funding, legal implications if the Cemetery became involved in litigation, and possible misstatements in note disclosures.

The Cemetery should obtain a legal opinion regarding whether or not its current structure is supported by Ohio Rev. Code 517.14 for a joint township cemetery; Ohio Rev. Code Section 759.27 for a union cemetery; or Ohio Rev. Code Section 759.341 for a union cemetery district. If a legal determination concludes that the Cemetery does not meet the organizational structure requirements of one of these Ohio Revised Code Sections, the Cemetery should take immediate action to either change its organization structure or officially become part of the Shawnee Township.

**FINDING NUMBER 2006-003**

**Significant Deficiency**

**Completeness of Minutes**

An entity's minutes are the primary support for actions taken by the governing body. As a result, when the minutes are not complete or they lack detail, it may not be clear as to the intentions of the governing body. There were eight months in 2006 and eight months in 2005 without recorded minutes. There was not evidence to indicate that the meetings had been cancelled. Therefore it could not be easily determined if the Cemetery's minutes book was complete. If the completeness of the minutes cannot be determined, there may be doubt as to whether they actually reflect all the business activities of the Cemetery.

The lack of detailed and complete information in the minutes may result in the intentions of the Board not being known or followed by the Cemetery, including possible financial misstatements. The Cemetery's minutes should be written in a manner that helps to assure the completeness and accuracy of actions taken by the Board. The minutes should identify financial reports reviewed and accepted by the Board, cancellation of meetings and approval of prior meeting minutes.

**FINDING NUMBER 2006-004**

**Material Weakness**

**Monthly Bank-to-Book Reconciliations**

To reduce the risk that errors and/or irregularities may not be detected, the Cemetery should prepare monthly bank-to-book reconciliations. The Secretary/Treasurer failed to prepare bank-to-book reconciliations from October 2004 through December 2006. As a result, the Cemetery Directors were not able to detect financial reporting errors and/or irregularities.

The failure to prepare complete bank-to-book reconciliations could result in errors or irregularities not being detected in timely manner.

To help improve accountability a monthly bank-to-book reconciliation should be prepared and approved by the Directors. The reconciliations should include all deposit and investment balances, the fund balances, and all reconciling items such as outstanding checks and deposits in transit. As part of the approval process, the Directors should periodically verify that bank balances, book balances, and reconciling items are supported by underlying documentation. Un-reconciled balances or other errors should be immediately investigated and resolved. Checks indicated as voided should be investigated and maintained with the bank-to-book reconciliations. Evidence of the review and approval of the bank-to-book reconciliations should be documented on the reconciliations and/or noted in the minutes.

**FINDING NUMBER 2006-005**

**Material Weakness**

**Review of Financial Reports**

To assist in the effective management of financial resources a governing body should periodically review financial reports that present revenue and expenditures, budget versus actual revenues and expenditures if a budget is adopted, and fund balances. If a budget is adopted, the review of budgetary activity reports should include determining whether or not appropriations remain within estimated resources along with being in-line with actual resources. The Cemetery's Board did not receive financial reports after October 2004. The failure to review financial reports inhibited the Board's ability to identify financial reporting errors.

**FINDING NUMBER 2006-005  
(Continued)**

The Board should periodically review financial reports that present revenues, expenditures, fund balances, and if applicable, budget versus actual activity. Evidence of the review and approval of financial reports should be documented in the minutes and/or on the reports.

**FINDING NUMBER 2006-006**

**Material Weakness**

**Financial Accountability and Reporting**

To reduce the risk of errors and/or irregularities a cemetery should have procedures in place to help assure that supporting documentation is maintained for all receipts and expenditures, that all financial activity and fund balances are recorded in the accounting records and financial statements, and that revenues and expenditures are reported in a manner that is consistent between reporting periods. The following deficiencies were identified in the Cemetery's accounting records and financial statements:

- Voucher packets were not available for the period January through September 2004;
- W-2's were not available for 2006 and 2005;
- Deposit slips were not available for 2006, 2005, and 2004;
- Cemetery deeds were not available for 2006 and 2005;
- Invoices to support revenue from the opening and closing of graves was not available for 2006, 2005, and 2004;
- Interest earned on certificates of deposit was not recorded in the accounting records;
- Invoices did not exist to support \$1,367 of expenditures in 2006, \$871 of expenditures in 2005, and \$12,784 of expenditures in 2004.
- Receipt and appropriation ledgers after August 2004 were not available;
- Fund balances were not presented on the 2006, 2005, and 2004 financial statements;
- Revenue and expenditure descriptions used for the 2006 financial statements were not consistent with those used for the 2005 and 2004

As a result of these deficiencies, the Directors' ability to monitor financial activity was inhibited as was the ability to express an opinion on the financial statements.

The Cemetery Directors and Secretary/Treasurer should perform a periodic review of the accounting records to help assure that all required records and supporting documentation is being maintained by the Secretary/Treasurer. Ohio Admin. Code Section 117-2-02(D) should be reviewed to further the understanding of the required accounting records. The Directors should review the annual financial statements to help assure that revenue and expenditure classifications are appropriate for the Cemetery and consistent from year to year.

**FINDING NUMBER 2006-007**

**Noncompliance Citation**

**Ohio Rev. Code Section 9.38** requires 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.

For example, a government employee other than the fiscal officer collecting funds and issuing a receipt must deposit the funds with the government's fiscal officer on the business day following the day of receipt. As an alternative to depositing the funds with the government's fiscal officer, the employee instead may deposit funds with the government's designated depository on the business day following the day of receipt.

**FINDING NUMBER 2006-007  
(Continued)**

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. Only the Board of Directors 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 next business day.

During 2006, 2005, and 2004, the Cemetery Sexton deposited receipts once a month. The Cemetery Sexton was responsible for collecting all receipts related to the sale of lots, opening and closings, and revenue related to grave lots. This practice increased the risk of errors and/or irregularities and reduced interest income.

The Cemetery should adopt a policy for depositing money. In addition, the Directors should implement control procedures to compensate for the lack of segregation of duties since the same individual was handling both the receipt and deposit of revenues. Monitoring procedures should be performed by the Directors to help assure compliance with the depositing policy and compensating controls for the lack of a segregation of duties.

**FINDING NUMBER 2006-008**

**Noncompliance**

**Ohio Rev. Code Section 117.38** requires that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal end. These reports must be filed on forms prescribed by the Auditor of State. However, if the Auditor of State has not prescribed a form for the report, the public office shall submit its report on the form utilized by the public office. 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 Cemetery did not file its 2006, 2005 and 2004 annual financial reports with the Auditor of State. In addition, the Cemetery did not publish notice that the 2006, 2005 and 2004 financial statements were available for public inspection.

The Cemetery's Board should implement monitoring procedures to help assure the timely filing and public notification of annual financial reports.

**FINDING NUMBER 2006-009**

**Noncompliance**

**Ohio Rev. Code Section 135.13** requires that interim deposits shall be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including, but not limited to, pass book accounts.

The Cemetery had three certificates of deposit in the amounts of \$33,815, \$31,902, and \$20,236 and two certificates of deposit in the amounts of \$26,891 and \$5,257 with a maturity of 24 and 48 months respectively. Certificates of deposit for interim money that mature beyond one year could result in the Cemetery not being in position to handle short term financing needs. In most instances, the Cemetery would only be able to cash certificates of deposit before maturity by paying a penalty.

Prior to investing interim money in certificates of deposit, the Cemetery should verify that the maturity period complies with this Ohio Revised Code Section. The Cemetery may also want to consider declaring the money in this certificate of deposit inactive if it is not needed for operations in the near future. By declaring this money inactive, the certificate of deposit could be invested up to the end of the depository designation period.

**FINDING NUMBER 2006-010**

**Material Weakness/Noncompliance**

**Ohio Rev. Code Section 149.351(A)** requires, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

The Cemetery did not maintain the January through September 2004 voucher packets; 2006 and 2005 W-2's, 2006, 2005 and 2004 deposit slips; 941 forms for 2006 and 2005; 2006 and 2005 cemetery deeds; 2006, 2005, and 2005 invoices for grave openings and closings; receipts and appropriation ledgers after August 2004, and some of the minutes from 2006 and 2005. The failure to maintain all records increased the risk of errors and/or irregularities and impacted the ability to issue an opinion on the annual financial statements.

The Cemetery should implement procedures to help assure all records are retained in accordance with these Ohio Revised Code sections.

**FINDING NUMBER 2006-011**

**Noncompliance**

**Ohio Rev. Code Section 507.11(B)** provides that no money belonging to a township may be paid out except upon an order signed personally by at least two trustees and countersigned by the clerk. During 2006, 2005, and 2004, Cemetery checks were only signed by the Secretary/Treasurer.

The failure to comply with this Ohio Revised Code section increases the risk of errors and/or irregularities that would not be detected by the Directors.

The Cemetery should have at least two Directors in addition to the Secretary/Treasurer sign all checks.

**FINDING NUMBER 2006-012**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.36(A)(1)** requires that on or about the first day of each fiscal year the fiscal officer of a subdivision or other taxing unit is to certify to the county auditor the total amount from all sources which are available for expenditure along with any encumbered balances that existed at the end of the preceding year.

The total amount from all sources available for expenditure along with any encumbered balances was not certified as required by this Ohio Revised Code Section for the years 2006, 2005 or 2004.

The Cemetery should implement a monitoring procedure to help assure the completion of this budgetary document.

### FINDING NUMBER 2006-013

#### Noncompliance Citation

**Ohio Rev. 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. **Ohio Rev. Code Section 5705.41(B)**, states that no subdivision is to expend money unless it has been legally appropriated. The Cemetery did not pass an appropriation measure for the years 2006, 2005 and 2004. As a result, all expenditures exceeded appropriations.

Failure to adopt an appropriation measure could lead to expenditures that are not in line with the intent of the Directors, nor legally authorized.

The Cemetery should implement monitoring procedures to help assure that an annual appropriation measure is passed as required by this Ohio Revised Code Section.

### FINDING NUMBER 2006-014

#### Noncompliance Citation

**Ohio Rev. Code Section 5705.41(D)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The subdivision or taxing entity has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the subdivision or taxing entity.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates for an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account and not running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.



**FINDING NUMBER 2006-014  
(Continued)**

- 3. Super Blanket certificate** – The subdivision or taxing entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Cemetery did not properly certify the availability of funds prior to purchase commitment for 100% percent of the expenditures during 2006, 2005, and 2004. Failure to properly certify the availability of funds can result in overspending fund and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Cemetery's funds exceeding budgetary spending limitations, we recommend that the Cemetery's Secretary/Treasurer should certify that the funds are or will be available prior to the obligation by the Cemetery. When prior certification is not possible, "then and now" certification should be used. And for those commitments over the \$3,000 threshold, a resolution by the directors is needed in order to pay.

We recommend the Cemetery certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Secretary/Treasurer should sign the certification at the time the Cemetery incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Secretary/Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2006-015**

**Ohio Rev. Code Section 5747.07(B)** requires that every employer required to deduct and withhold any amount under section 5747.06 of the Revised Code shall file a return and shall pay the amount required by law.

During 2006 and 2005, the Cemetery withheld state income tax from the wages of its employees but did not remit the amount withheld. As of December 31, 2006, the aggregate amount of unpaid state income tax owed by the Cemetery was \$536. The Cemetery should contact the State of Ohio for assistance in resolving this issue. In addition, each employee should be notified of this issue.

The Directors should periodically review the payroll records to help assure that all withholdings have been remitted to proper agency.

**FINDING NUMBER 2006-016**

**26 U.S.C. Section 3102(a)** states that the tax imposed by Section 3101(b) shall be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages of the employee. **26 U.S.C. Section 3403** states that the employer shall be liable for the payment of the tax required to be deducted and withheld under 26 U.S.C. 3402.

The Cemetery withheld Federal Income Tax and Medicare Tax from the wages of its employees during 2006 and 2005 but did not remit the withholdings as required. The amount of federal income tax and medicare tax not remitted by the Cemetery was as follows:

**FINDING NUMBER 2006-016  
(Continued)**

	<u>2006</u>	<u>2005</u>
Federal Withholdings	\$ 709	\$1,334
Medicare Withholdings	\$ 190	\$ 304
Medicare (Employer Portion)	\$ 190	\$ 304
Total	\$1,089	\$1,942
Total remitted	\$ 0	\$1,117
Variance	(\$1,089)	(\$ 825)

For 2005 we could not determine the actual amount of Federal Income Tax and Medicare Tax remitted since the 941 Forms were not maintained by the Cemetery. Failure to remit the amount of Federal Income Tax and Medicare Tax withheld from the wages of employees could result in the Cemetery being liable for interest and penalties. The Cemetery should contact the IRS to resolve this issue. In addition, each employee should be notified of this issue.

The Directors should periodically review the payroll records to help assure that all withholdings have been remitted to proper agency.

**OFFICIAL'S RESPONSE**

We did not receive a response from Officials to these findings.

**SHAWNEE TOWNSHIP CEMETERY ASSOCIATION  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2003-001	Ohio Rev. Code 5705.36 – the Cemetery did not certify to the County Auditor the total amount from all sources which are available for expenditure	No	Repeated as Finding 2006-012
2003-002	Ohio Rev. Code 5705.38 – the Cemetery did not pass an appropriation measure	No	Repeated as Finding 2006-013
2003-003	Ohio Rev. Code 5705.39 – appropriations exceeded estimated resources	No	Not applicable since the Cemetery did not adopt an appropriations resolution.
2003-004	Ohio Rev. Code 5705.41(B) – expenditures exceeded appropriations	No	Repeated in Finding 2006-013
2003-005	Ohio Rev. Code 5705.41(D) – the Cemetery did not prior certify expenditures	No	Repeated as Finding 2006-014





**Mary Taylor, CPA**  
Auditor of State

**SHAWNEE TOWNSHIP CEMETERY ASSOCIATION**

**ALLEN 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 15, 2008**