



Mary Taylor, CPA
Auditor of State

CASS TOWNSHIP
HANCOCK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	6
Notes to the Financial Statements	7
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 Audit Findings	21

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

Cass Township
Hancock County
14127 Township Road 213
Findlay, Ohio 45840

To the Board of Trustees:

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.

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

Mary Taylor, CPA
Auditor of State

August 12, 2009

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Cass Township
Hancock County
14127 Township Road 213
Findlay, Ohio 45840

To the Board of Trustees:

We have audited the accompanying financial statements of Cass Township, Hancock County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 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, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Cass Township, Hancock County, as of December 31, 2008 and 2007, 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 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 August 12, 2009, 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.

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

Mary Taylor, CPA
Auditor of State

August 12, 2009

**CASS TOWNSHIP
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$30,331	\$30,316	\$60,647
Intergovernmental	55,174	98,602	153,776
Earnings on Investments	218	501	719
Miscellaneous	5,174		5,174
	<u>90,897</u>	<u>129,419</u>	<u>220,316</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	69,720		69,720
Public Safety	35,218		35,218
Public Works	21,071	195,327	216,398
Health	5,503		5,503
	<u>131,512</u>	<u>195,327</u>	<u>326,839</u>
Total Cash Disbursements			
Total Cash Disbursements Over Cash Receipts	<u>(40,615)</u>	<u>(65,908)</u>	<u>(106,523)</u>
Other Financing (Disbursements):			
Other Financing Uses	<u>(44)</u>		<u>(44)</u>
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts	(40,659)	(65,908)	(106,567)
Fund Cash Balances, January 1	<u>66,377</u>	<u>68,458</u>	<u>134,835</u>
Fund Cash Balances, December 31	<u>\$25,718</u>	<u>\$2,550</u>	<u>\$28,268</u>

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

**CASS TOWNSHIP
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$30,916	\$30,917	\$61,833
Licenses, Permits, and Fees	2,710		2,710
Intergovernmental	51,408	114,195	165,603
Earnings on Investments	1,179	2,297	3,476
Miscellaneous	13,160		13,160
	<u>99,373</u>	<u>147,409</u>	<u>246,782</u>
Cash Disbursements:			
Current:			
General Government	65,781		65,781
Public Safety	30,000		30,000
Public Works	2,501	93,713	96,214
Health	6,245		6,245
Other	1,944		1,944
	<u>106,471</u>	<u>93,713</u>	<u>200,184</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(7,098)</u>	<u>53,696</u>	<u>46,598</u>
Other Financing (Disbursements):			
Other Financing Uses	<u>(60)</u>		<u>(60)</u>
Excess of Cash Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(7,158)	53,696	46,538
Fund Cash Balances, January 1	<u>73,535</u>	<u>14,762</u>	<u>88,297</u>
Fund Cash Balances, December 31	<u>\$66,377</u>	<u>\$68,458</u>	<u>\$134,835</u>

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

**CASS TOWNSHIP
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Cass Township, Hancock County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Village of Bloomdale in Wood County and Allen and Washington Townships to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. OTARMA provides property and casualty coverage for its members. Note 6 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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. The Township 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

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

**CASS TOWNSHIP
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. 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, 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. Appropriations lapse at year end.

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.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

The Township 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 Deposits

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

	<u>2008</u>	<u>2007</u>
Demand deposits	<u>\$28,268</u>	<u>\$134,835</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**CASS TOWNSHIP
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$105,524	\$90,897	(\$14,627)
Special Revenue	241,185	129,419	(111,766)
Total	\$346,709	\$220,316	(\$126,393)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$180,450	\$131,556	\$48,894
Special Revenue	296,192	195,327	100,865
Total	\$476,642	\$326,883	\$149,759

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$84,616	\$99,373	\$14,757
Special Revenue	232,584	147,409	(85,175)
Total	\$317,200	\$246,782	(\$70,418)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$133,626	\$106,531	\$27,095
Special Revenue	270,838	93,713	177,125
Total	\$404,464	\$200,244	\$204,220

Contrary to Ohio law, at December 31, 2008, the gasoline tax fund had a cash deficit balance of \$20,444. The Township has been in contact with the Auditor of State Local Government Services Division regarding plan of action to correct this deficit situation.

4. Property Tax

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

**CASS TOWNSHIP
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. Property Tax (Continued)

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.

5. Retirement System

The Township's officials and 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 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

6. Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

**CASS TOWNSHIP
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Risk Management (Continued)

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available).

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$4,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

**CASS TOWNSHIP
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Risk Management (Continued)

<u>Contributions to OTARMA</u>	
2006	\$5,772
2007	\$3,478
2008	\$3,623

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



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*

Cass Township
Hancock County
14127 Township Road 213
Findlay, Ohio 45840

To the Board of Trustees:

We have audited the financial statements of Cass Township, Hancock County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated August 12, 2009, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 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 findings 2008-003 and 2008-006 described in the accompanying schedule to be significant deficiencies in internal control over financial reporting.

One Government Center / Suite 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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.

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. We believe the significant deficiencies described above 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 12, 2009.

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 2008-001 through 2008-005.

We also noted a certain noncompliance matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 12, 2009.

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



Mary Taylor, CPA
Auditor of State

August 12, 2009

**CASS TOWNSHIP
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-001

Finding for Recovery Repaid Under Audit

Ohio Constitution, Article II, Section 20 generally prohibits public officials from receiving increases or decreases in compensation in the middle of a term of office. It is well settled that insurance benefits are compensation for the purposes of Article II, Section 20 of the Ohio Constitution.

Ohio Revised Code, Section 505.60(A), provides that a board of township trustees may procure and pay all or any part of the cost of insurance policies that may provide benefits for hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or a combination of any of the foregoing types of insurance for township officers and employees. If a township elects to provide coverage under this section, it must offer uniform coverage to its officers, employees and their dependents.

Ohio Revised Code, Section 505.601, states if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains.

The Township elected to provide reimbursement of health care premiums to its officers and employees pursuant to ORC § 505.601. The Township, on January 2, 2002, passed a resolution setting the maximum reimbursement amount at \$2,000 per individual per year. On December 28, 2007, the Township passed a second resolution, increasing the reimbursement amount to \$3,000 per individual per year.

Fiscal Officer, Helen Russell elected to receive this increase during her term of office. For the reasons stated above, this led to a violation of the prohibition on in-term increases of compensation for elected officials. The amount of this additional compensation totaled \$1,000 in 2008.

In 2007 and 2008, Helen Russell, Fiscal Officer, received reimbursement for out-of-pocket premium expenses in the amount of \$2,000 and \$3,000 respectively. In 2007 Ms. Russell only provided documentation of \$720.60 for out-of-pocket expenses. As stated above, ORC § 505.601 provides that a township may reimburse any officer or employee for the out-of-pocket premiums that the officer or employee incurs. Without documentation, it is impossible to determine whether the reimbursements to Ms. Russell were for her out-of-pocket premium costs. For that reason, we are issuing a finding for recovery for \$1,279.40 of undocumented out-of-pocket expenses reimbursed to Ms. Russell in 2007.

Additionally, the Township purchased a separate insurance policy for Ms. Russell in 2007. As stated above, a township may either provide health insurance through a township plan under ORC § 505.60, or it may reimburse for the cost of out-of-pocket premiums under ORC § 505.601. The Township, through resolution, chose to reimburse under ORC § 505.601. This precluded the Township from offering health insurance under ORC § 505.60. The provision of this separate insurance policy amounted to extra compensation for Ms. Russell, violating the prohibition on in-term increases in compensation for elected officials. This extra compensation amounts to \$8,031.75. We are issuing a finding for recovery for the amount of this overpayment. Ms. Russell partially reimbursed the Township during 2007.

**FINDING NUMBER 2008-001
(Continued)**

The following chart reflects the amounts overpaid to Ms. Russell for insurance premiums in 2007 and 2008:

	2007	2008	Amount Due Township
Premiums for Township provided health insurance	\$ 8,031.75		\$ 8,031.75
Amount Reimbursed to Township	(6,140.54)		(6,140.54)
Unreimbursed Amount	1,891.21		1,891.21
In-term increase in Out-of-pocket reimbursement	-	\$ 1,000.00	1,000.00
Unsupported Out-of-pocket expenses reimbursed	1,279.40	-	1,279.40
Amount Due Township	\$ 3,170.61	\$ 1,000.00	\$ 4,170.61

In accordance with the forgoing facts, and pursuant to Ohio Revised Code § 117.28, Finding for Recovery for public money illegally expended is hereby issued against Helen Russell, Fiscal Officer and her bonding company, Travelers Casualty and Surety Company of America, in the amount of \$4,170.61. This recovery is in favor of Cass Township's General Fund.

Fiscal Officer, Helen Russell repaid the amount of \$4,170.61 on August 4, 2009 to the Cass Township General Fund.

FINDING NUMBER 2008-002

Finding for Recovery Repaid Under Audit

Ohio Constitution, Article II, Section 20 generally prohibits public officials from receiving increases or decreases in compensation in the middle of a term of office. It is well settled that insurance benefits are compensation for the purposes of Article II, Section 20 of the Ohio Constitution.

Ohio Revised Code, Section 505.60(A), provides that a board of township trustees may procure and pay all or any part of the cost of insurance policies that may provide benefits for hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or a combination of any of the foregoing types of insurance for township officers and employees. If a township elects to provide coverage under this section, it must offer uniform coverage to its officers, employees and their dependents.

Ohio Revised Code, Section 505.601, states if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains.

The Township elected to provide reimbursement of health care premiums to its officers and employees pursuant to ORC § 505.601. The Township, on January 2, 2002, passed a resolution setting the maximum reimbursement amount at \$2,000 per individual per year. On December 28, 2007, the Township passed a second resolution, increasing the reimbursement amount to \$3,000 per individual per year.

FINDING NUMBER 2008-002
(Continued)

Township Trustee, Cecil Boes elected to receive this increase during his term of office. For the reasons stated above, this led to a violation of the prohibition on in-term increases of compensation for elected officials. The amount of this additional compensation totaled \$1,000.

In addition, Mr. Boes failed to provide documentation to demonstrate the amounts of his out-of-pocket costs for insurance premiums, and has been unable to provide such documentation to date. As stated above, ORC § 505.601 provides that a township may reimburse any officer or employee for the out-of-pocket premiums that the officer or employee incurs. Without documentation, it is impossible to determine whether the reimbursements to Mr. Boes were for his out-of-pocket premium costs. For that reason, we are issuing a finding for recovery for the entire amount reimbursed to Mr. Boes.

Additionally, the Township purchased a separate insurance policy for Mr. Boes in 2007 and 2008. As stated above, a township may either provide health insurance through a township plan under ORC § 505.60, or it may reimburse for the cost of out-of-pocket premiums under ORC § 505.601. The Township, through resolution, chose to reimburse under ORC § 505.601. This precluded the Township from offering health insurance under ORC § 505.60. The provision of this separate insurance policy amounted to extra compensation for Mr. Boes, violating the prohibition on in-term increases in compensation for elected officials. This extra compensation amounts to \$18,022.04. Mr. Boes partially reimbursed the Township during 2007 and 2008.

Finally, **Ohio Revised Code, § 505.24**, sets the compensation for township trustees based on the budget of the township. In 2007, the trustees of Cass Township were entitled to an annual salary of \$8,258. In 2008, the trustees of Cass Township were entitled to an annual salary of \$8,490. Trustee Boes, however, was mistakenly undercompensated during 2007 and 2008, receiving compensation in the amount of \$4,999.92 each year. For the reasons stated above, this led to a violation of the prohibition on in-term decreases of compensation to elected officials. The amount of the underpayment was \$3,258.08 in 2007 and \$3,490.08 in 2008.

The following chart reflects the amounts over/underpaid to Mr. Boes for compensation and insurance premiums in 2007 and 2008:

	2007	2008	Amount Due Township
Township provided health insurance premiums	\$ 9,697.43	\$ 8,324.61	\$ 18,022.04
Amount Reimbursed to Township	(8,043.63)	(4,743.92)	(12,787.55)
Unreimbursed Amount	1,653.80	3,580.69	5,234.49
Unsupported out-of-pocket expenses reimbursed	2,000.00	3,000.00	5,000.00
Amount of statutory compensation underpaid	(3,258.08)	\$ (3,490.08)	(6,748.16)
Amount Due Township	\$ 395.72	\$ 3,090.61	\$ 3,486.33

In accordance with the forgoing facts, and pursuant to Ohio Revised Code § 117.28, Finding for Recovery for public money illegally expended is hereby issued against Cecil Boes, Township Trustee and his bonding company, Ohio Township Association Risk Management Authority, in the amount of \$3,486.33.

Trustee, Cecil Boes repaid the amount of \$3,486.33 on August 17, 2009 to the Cass Township General Fund.

FINDING NUMBER 2008-003

Noncompliance Citation and Material Weakness

Ohio Revised Code, § 5705.10(D), states all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made. **Ohio Revised Code § 5705.10(H)** states money paid into any fund shall be used only for the purposes of which such fund is established.

Ohio Revised Code, § 5705.14(E), states that money may be transferred from the general fund of a subdivision to any other fund. Ohio Attorney General Opinion 1986-082 expounds on this provision, stating that a transfer from the general fund to any other fund may be made pursuant to resolution of the taxing authority passed by a simple majority.

As noted below, in 2008 and 2007 real estate taxes and homestead and rollback reimbursements for the Road and Bridge Fund were posted to the General and Gasoline Tax funds. Also, in 2008 and 2007, fire contracts to be paid from the General fund were paid from the Motor Vehicle License Tax and Gasoline Tax funds.

In addition, in 2008, interfund transfers were made from the General Fund to the Gasoline Tax and Road and Bridge funds without any resolution of approval by the Township Trustees.

Fund	General	Gasoline Tax	Motor Vehicle License Tax	Road and Bridge
2008				
Real Estate and Homestead and Rollback	(\$4,107)	(\$15,690)		\$19,797
Fire Contracts	12,500		(12,500)	
Interfund Transfer	31,036	(13,871)		(17,165)
2007				
Real Estate and Homestead and Rollback		(\$1,885)		\$1,885
Fire Contract	\$11,000	(11,000)		

The accompanying financial statements and accounting records were adjusted to reflect these amounts in the proper funds.

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board of Trustees, to identify and correct errors and omissions. The Fiscal Officer should also review the UAN chart of accounts and the Township Handbook's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

FINDING NUMBER 2008-004

Noncompliance Citation

Ohio Revised Code, §5705.10(H), states that money paid into any fund shall be used only for the purpose for which such fund was established.

The existence of a deficit balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund or funds carrying the deficit balance.

As of December 31, 2008 the Township had a deficit cash balance of \$20,444 in the Gasoline Tax Fund.

We recommend as part of the monitoring process, the Board of Trustees should review financial records to make sure the amounts are reflected in the appropriate funds and that there are sufficient funds to pay obligations.

FINDING NUMBER 2008-005

Noncompliance Citation

Ohio Revised Code, § 5705.41(D) (1), states that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall void and no warrant shall be issued in payment of any amount due thereon.

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 Board of Trustees can authorize the drawing of a warrant for the payment of the amount due. The Board of Trustees 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 Board of Trustees.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal 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 2008-005
(Continued)**

- 3. Super Blanket Certificate** – The Board of Trustees 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 line item appropriation.

Eighty-eight percent of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence the Board of Trustees followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Certification is not only required by Ohio law, but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Township funds being over expended or exceeding budgetary spending limitations as set by the Board of Trustees.

We recommend all Township disbursements receive prior certification of the Fiscal Officer and the Board of Trustees periodically review the expenditures made to ensure they are within the appropriations adopted by the Board of Trustees, certified by the Fiscal Officer, and recorded against appropriations.

FINDING NUMBER 2008-006

Cash Reconciliation - Material Weakness

Sound accounting procedures require there to be adequate segregation of duties and monitoring procedures performed by management. Sound financial reporting is the responsibility of the Township Fiscal Officer and Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Fiscal Officer performed most accounting functions. It is therefore important that Trustees monitor financial activity closely. Throughout much of the audit period the Township's books did not reconcile to the bank.

During the reconciliation of the Township's book balance to the bank balance we found receipts and interest that were either misposted or not posted and cancelled checks were listed as either void or still outstanding on the system. These items required adjustment or reclassification ranging from \$187 to \$31,036 and are reflected in the accompanying financial statements and Townships accounting records.

These deficiencies have resulted in an out of balance condition existing throughout much of the audit period between the accounting system and bank balances. In addition, this condition results in inaccurate information being provided to management in monitoring of the financial activity.

To strengthen controls we recommend a monthly reconciliation be completed and every reconciling item be supported. This may require scheduling each receipt and disbursement posted for comparison to receipts and disbursements per the bank statement. The Board of Trustees should compare the support documentation to what is reported on the monthly reconciliation and indicate on the reconciliation that this review was completed. In addition, adjustments to the reconciliation should have support attached to the reconciliation and be researched and corrected within the next month.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

CASS TOWNSHIP
HANCOCK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Revised Code § 5705.10, amounts posted to the incorrect funds	No	Reissued as Finding 2008-003 in this report.



Mary Taylor, CPA
Auditor of State

CASS TOWNSHIP
HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 22, 2009