



Mary Taylor, CPA  
Auditor of State



VILLAGE OF CASSTOWN  
MIAMI COUNTY

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# Mary Taylor, CPA Auditor of State

## ACCOUNTANTS' REPORT

Village of Casstown  
Miami County  
P.O. Box 91  
Casstown, Ohio 45312

To the Mayor and the Village Council:

We have selectively tested certain accounts, financial records, files and reports of the Village of Casstown, Miami County, (the Village) as of and for the years ended December 31, 2007 and 2006 following Ohio Admin. Code §117-4-02.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

We intend this report solely for the information and use of the management, Village Council, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

November 18, 2008

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**VILLAGE OF CASSTOWN  
MIAMI 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>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Total Cash Receipts	\$52,952	\$69,275	\$2,625	\$1,575	\$126,427
<b>Cash Disbursements:</b>					
Total Cash Disbursements	34,588	48,275	823	940	84,626
Total Receipts Over/(Under) Disbursements	18,364	21,000	1,802	635	41,801
Fund Cash Balances, January 1	164,587	191,913	96,374	70,702	523,576
Fund Cash Balances, December 31	<u>\$182,951</u>	<u>\$212,913</u>	<u>\$98,176</u>	<u>\$71,337</u>	<u>\$565,377</u>

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

**VILLAGE OF CASSTOWN  
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Total Cash Receipts	\$56,770	\$67,249	\$5,163	\$3,058	\$132,240
<b>Cash Disbursements:</b>					
Total Cash Disbursements	<u>34,425</u>	<u>58,930</u>			<u>93,355</u>
Total Receipts Over/(Under) Disbursements	22,345	8,319	5,163	3,058	38,885
Fund Cash Balances, January 1	<u>142,242</u>	<u>183,594</u>	<u>91,211</u>	<u>67,644</u>	<u>484,691</u>
Fund Cash Balances, December 31	<u><u>164,587</u></u>	<u><u>191,913</u></u>	<u><u>96,374</u></u>	<u><u>70,702</u></u>	<u><u>523,576</u></u>
Reserve for Encumbrances, December 31	<u><u>\$0</u></u>	<u><u>\$4,590</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$4,590</u></u>

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



**VILLAGE OF CASSTOWN  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**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 the Village of Casstown, Miami County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental operations including cemetery operations. The Village contracts with the Miami County Sheriff's department to provide security of persons and property. The Village contracts with the Casstown Fire Department to receive fire protection services.

The Village's management believes these financial statements present all activities for which the Village 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 Village 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).

The Village did not classify its receipts or disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

**C. Cash and Investments**

The Village values certificates of deposit at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund 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 Village had the following significant Special Revenue Funds:

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

**State Highway Improvement Fund** - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing state highway streets through the Village.

**VILLAGE OF CASSTOWN  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**Fire Levy Fund** - The fund receives proceeds from a property tax levy for fire protection for Village residents.

**Cemetery Operating Fund** – This fund receives charges to manage the cemetery.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

**Cemetery Land Purchase and Maintenance Fund** – This fund receives proceeds from sale of burial plots. The proceeds are being used for acquisition and maintenance of the cemetery land.

**4. Permanent Funds**

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

**Cemetery Endowment Fund** – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**VILLAGE OF CASSTOWN  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

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

The Village 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 AND INVESTMENTS**

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

	<b>2007</b>	<b>2006</b>
Demand deposits	\$158,642	\$81,001
Certificates of deposit	406,735	442,575
Total deposits	\$565,377	\$523,576

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

**3. BUDGETARY ACTIVITY**

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

<b>2007 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 44,553	\$ 52,952	\$ 8,399
Special Revenue	52,436	69,275	16,839
Capital Projects	5,000	2,625	(2,375)
Permanent	2,000	1,575	(425)
Total	\$103,989	\$126,427	\$22,438

<b>2007 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$126,486	\$34,588	\$91,898
Special Revenue	42,300	48,275	(5,975)
Capital Projects	12,500	823	11,677
Permanent	2,000	940	1,060
Total	\$183,286	\$84,626	\$98,660

**VILLAGE OF CASSTOWN  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

<b>2006 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$46,160	\$56,770	\$10,610
Special Revenue	53,791	67,249	13,458
Capital Projects	5,487	5,163	(324)
Permanent	3,000	3,058	58
Total	\$108,438	\$132,240	\$23,802

<b>2006 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$109,890	\$34,425	\$75,465
Special Revenue	130,228	63,520	66,708
Capital Projects	15,350		15,350
Permanent	1,500		1,500
Total	\$256,968	\$97,945	\$159,023

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire Levy and Cemetery funds by \$4,546 and 12,551 respectively for the year ended December 31, 2007.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council 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.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**5. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.50 and 9.00%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.70%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**VILLAGE OF CASSTOWN  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**6. RISK MANAGEMENT**

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP 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 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP 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 PEP.

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) as noted above.

**Property Coverage**

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was 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. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 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 then 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 PEP'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**

PEP'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.

**VILLAGE OF CASSTOWN  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

	<b>2007</b>	<b>2006</b>
Assets	\$37,560,071	\$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Net Assets	\$20,219,246	\$19,384,290

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 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 Village's share of these unpaid claims collectible in future years is approximately \$7,519. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP 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 PEP for each year of membership.

<b>Contributions to PEP</b>	
2005	\$5,284
2006	\$5,393
2007	\$6,538

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 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.

**7. NONCOMPLIANCE**

The Village did not comply with the following requirements:

1. Ohio Rev. Code Section 135.21 regarding posting of interest income.
2. Ohio Rev. Code Section 5705.10 regarding posting levy proceeds to special fund for the purpose for which the levy was made.
3. Ohio Rev. Code Section 9.38 regarding depositing public monies.
4. Ohio Rev. Code Section 149.351(A) regarding destruction of public records.
5. Ohio Rev. Code Section 5705.41(B) regarding expending money in excess of appropriations.
6. Ohio Rev. Code Section 5705.41(D) regarding certification of expenditures.
7. Ohio Admin. Code 117-02-02A regarding financial records.



# Mary Taylor, CPA

Auditor of State

## ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Village of Casstown  
Miami County  
P.O. Box 91  
Casstown, Ohio 45312

To the Village Council:

We have selectively tested certain accounts, financial records, files and reports of the Village of Casstown, Miami County, (the Village) as of and for the years ended December 31, 2007 and 2006 following the Ohio Admin. Code §117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

### Internal Control over Financial Reporting

During our procedures related to the internal control over financial reporting, we noted matters that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the Schedule of Findings as items 2007-001 through 2007-003.

We also noted certain matters that we reported to the Village's management in a separate letter dated November 18, 2008.

### Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contract, and grant agreements applicable to the Village. Noncompliance with these requirements could impact the Village's ability to determine financials statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying schedule of findings as items 2007-002 through 2007-008.

We did note certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 18, 2008.

Village of Casstown  
Miami County  
Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Page 2

We intend this report solely for the information and use of the management, Village Council, and the Mayor. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

November 18, 2008



**VILLAGE OF CASSTOWN  
MIAMI COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b>
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**FINDING NUMBER 2007-001**

**Bank Reconciliations**

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the books provide a reasonable assurance that all receipts and expenditures have been correctly posted on the entity's books and have been correctly posted by the bank. Additionally, reconciliations provide the Village with a picture of the financial position at month end.

The Village did not perform monthly bank reconciliations throughout 2006 and 2007. In 2007 the Village hired the Auditor of State's Local Government Services (LGS) to reconcile the year 2006 and several months in 2007. Numerous posting errors were noted and corrected by LGS during the reconciliation process. Bank account reconciliation is a basic control to provide accuracy and completeness of the Village's recording of current receipts and expenditures. Failure to maintain complete accountability of public monies could increase the possibility of funds being altered, impaired, lost or stolen.

Procedures should be implemented to verify that monthly bank reconciliations are performed in a timely manner and any reconciling items, other than deposits in transit, and outstanding checks, are corrected within a reasonable period. Failure to do so could result in management using the incorrect cash balance as a basis for their decisions and bank errors being unnoticed. Additionally, independent detailed review should be performed by the Council to determine that proper procedures are being followed and bank balances agree to the reported fund cash balances at the month end.

**FINDING NUMBER 2007-002**

**Noncompliance Citation**

**Ohio Rev. Code Section 135.21** states that interest earned must be credited to the general fund of the subdivision, with the following exceptions:

- Interest earned on money derived from a motor vehicle license or fuel tax must follow the principal. [Article XII, Section 5a, Ohio Const. and 1982 Op. Atty Gen. No. 82-031].
- Interest earned on principal of a non-expendable trust fund established to receive donations or contributions that the donor or contributor requires to be maintained intact must be credited to the non-expendable trust fund to which the principal belongs. [Section 5705.131].

The Village posted \$4,309 in 2007 interest income due to General Fund to other funds. Following is a breakdown of the funds that received interest income instead of the General Fund:

<u>Fund Name</u>	<u>Fund Number</u>	<u>Interest Amount</u>
Special Revenue Fund		
Cemetery Operating	E10	\$2,365
Capital Projects Fund		
Cemetery Fund	D3	1,944
Total Interest		<u>\$4,309</u>

**FINDING NUMBER 2007-002  
 (Continued)**

The accompanying financial statements and Village records have been adjusted to correctly reflect the fund balances.

The Village should establish and implement policies and procedures to verify that the interest income is posted to correct funds. Failure to do so could result in material misstatements in the Village financial statements and mislead the users of the financial statements.

**FINDING NUMBER 2007-003**

**Noncompliance Citation**

**Ohio Rev Code Section 5705.10** states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. The Village failed to correctly record the following tax levy proceeds and intergovernmental receipts to the correct funds.

<u>Description</u>	<u>General Fund</u>	<u>Fire Fund</u>
<b>2006</b>		
Property Taxes	(\$2,026)	\$2,026
Rollbacks	(342)	342
Intergovernmental Receipts	<u>1,718</u>	<u>(1,718)</u>
Total 2006 Net Overstatement (Understatement)	<u>(650)</u>	<u>650</u>
<b>2007</b>		
Rollbacks	<u>(708)</u>	<u>708</u>
Total Net Overstatement (Understatement)	<u><u>(\$1,358)</u></u>	<u><u>\$1,358</u></u>

The accompanying financial statements and Village records have been adjusted to correctly reflect the fund balances.

Policies and procedures should be established to verify that receipts are posted to proper funds. Failure to do so could result in the Village spending proceeds for unallowable purposes and allow the financial statements to be misstated.

#### FINDING NUMBER 2007-004

##### Noncompliance Citation

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

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.

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

The Village did not deposit money in a timely manner as 17.4% of the cemetery receipts were not with the clerk within one business day of receipt and sometimes taking up to 27 days to deposit with the clerk. Policies and procedures should be established to verify that all money collected is deposited in a timely manner. If the Council determines that adequate controls exist to safeguard the receipts they could adopt a policy of depositing receipts less than \$1,000 no later than three business day after receiving it. Failure to do so could result in loss of receipts before they are deposited and possible findings for recovery in future audits.

#### FINDING NUMBER 2007-005

##### Noncompliance Citation

**Ohio Rev. Code Section 149.351 (A)**, states 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 Village did not have validated deposit tickets for 6.8% of the total cemetery receipts for the audit period. There was one instance where a receipt did not have a proper clerk pay-in; however, the receipt was posted to the cash journal and deposited.

The Village did not have supporting documentation for a total of \$5,146 of expenditures tested, (\$4,669 January 2006 through September 2006 and \$477 September 2006 through December 2007).

Failure to retain these required public records resulted in incomplete information provided for audit as well as the management decision making process. Continuing to maintain poor records may result in findings for recoveries in future audits. The Village should implement procedures which would strengthen control over its physical assets and preservation of records.

**FINDING NUMBER 2007-006**

**Noncompliance Citation**

**Ohio Revised Code Section 5705.41(B)** states that no subdivision or taxing unit shall expend money unless it has been appropriated.

The following funds had expenditures in excess of amounts appropriated at December 31, 2007:

	<u>Appropriated</u>	<u>Expenditures</u>	<u>Variance</u>
Fire Levy		\$ 4,546	(\$ 4,546)
Cemetery	\$26,000	\$38,551	(\$12,551)

The Village should develop and implement procedures to properly monitor its budgetary activity as it relates to appropriations and expenditures and to modify appropriations and for expenditures as needed. This will enable the Village to comply with budgetary requirements while verifying accurate financial position throughout the year.

**FINDING NUMBER 2007-007**

**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 contractor 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.

**A. “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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village 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 Village.

**B. Blanket certificate** – Fiscal officers may prepare “blanket” certificates for a sum not exceeding an amount established by resolution or ordinance adopted by the members of the legislative authority, against any specific line item account, and not running beyond 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.

**C. Super Blanket certificate** – The Village 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 beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

**FINDING NUMBER 2007-007**  
**(Continued)**

The Village did not properly certify the availability of funds prior to purchase commitments for 46% of items tested during the disbursement cycle from January 2006 to September 2006. The Village did not properly certify the availability of funds prior to purchase commitments for 20% for the sample test for the remainder of the audit period (September 2006 thru December 2007). Also, 25% of the individually significant items were not properly certified. There was some evidence that the Village followed the aforementioned exceptions after the result of the prior years' audit, although, the exceptions were not always used. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

The Village should verify that all expenditures have been encumbered before an order or contract has been made. 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 Village's fund exceeding budgetary spending limitations, we recommend that the Village's Clerk certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, a "then and now" certification should be used. The Village should verify that when using a "then and now" certification, the Council approves all expenditures over \$3,000. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Village's Clerk should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Village's Clerk should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

In addition, the Village did not properly certify all its expenditures at year end. This resulted in the reserve for encumbrance balance for 2006 General fund being understated by \$566, and Special Revenue funds being understated by \$4,590. For 2007, the General fund was understated by \$1,236 and Special Revenue funds were understated by \$1,860. The 2006 Special Revenue fund amount has been adjusted in the accompanying financial statements; all other amounts have been presented to the management in the summary of unadjusted differences. Policies and procedures should be established and implemented to verify that unrecorded encumbrances are booked by the Village and added to the year end reserve balance. Failure to do so could result in the actual expenditures on the budget to actual note being materially misstated, the unencumbered fund balance amount reported to the Budget Commission being overstated and inaccurate financial information for use in decision making.

**FINDING NUMBER 2007-008**

**Ohio Admin. Code Section 117-2-02(A)** states, that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code. Additionally, **Ohio Admin. Code 117-2-02(D)** states that the various accounting records maintained should include, but not be limited to, a cash journal, receipts ledger, appropriation ledger, payroll records, and a check register.

The Village of Casstown did not comply with this requirement to classify these activities on its financial statements due to Village having several Fiscal Officers during the audit period and records not being maintained in a consistent manner. Incomplete and inconsistent records did not allow for proper classification of activity on the financial statements and did not provide conformability between the fiscal periods.

The Village should develop and implement procedures to maintain its records in a detail manner and to provide accurate and timely financial information and statements.





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF CASSTOWN**

**MIAMI 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 6, 2009**