

Cass Township
Richland County, Ohio

Regular Audit

January 1, 2008 through December 31, 2009
Fiscal Years Audited Under GAGAS: 2009 and 2008



Balestra, Harr & Scherer, CPAs, Inc.

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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Cass Township, Richland County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Cass Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 21, 2011

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Richland County
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Independent Auditor's Report

Board of Trustees
Cass Township
Richland County
6523 Ganges Five Points Rd.
Shiloh, Ohio 44878

We have audited the accompanying financial statements of Cass Township, Richland County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Governments to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

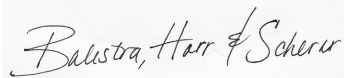
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, 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, Richland County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Board of Trustees
Cass Township
Richland County
Independent Auditors' Report
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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 May 6, 2011, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

May 6, 2011

**CASS TOWNSHIP
RICHLAND COUNTY**

Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2009

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent Fund</u>	
Cash Receipts:				
Property and Local Taxes	\$ 18,929	\$ 125,400	\$ -	\$ 144,329
Intergovernmental	53,084	179,532	-	232,616
Fines, Licenses & Permits	-	14,390	-	14,390
Earnings on Investments	1,152	577	-	1,729
Miscellaneous	6,550	6,667	-	13,217
Total Cash Receipts	<u>79,715</u>	<u>326,566</u>	<u>-</u>	<u>406,281</u>
Cash Disbursements:				
Current:				
General Government	70,672	-	-	70,672
Public Safety	-	33,200	-	33,200
Public Works	-	100,154	-	100,154
Health	-	41,910	-	41,910
Human Services	-	3,259	-	3,259
Other	-	26,505	-	26,505
Capital Outlay	34,541	82,352	-	116,893
Total Cash Disbursements	<u>105,213</u>	<u>287,380</u>	<u>-</u>	<u>392,593</u>
Total Cash Receipts Over Cash Disbursements	<u>(25,498)</u>	<u>39,186</u>	<u>-</u>	<u>13,688</u>
Fund Cash Balances, January 1	<u>59,879</u>	<u>228,879</u>	<u>4,712</u>	<u>293,470</u>
Fund Cash Balances, December 31	<u>\$ 34,381</u>	<u>\$ 268,065</u>	<u>\$ 4,712</u>	<u>\$ 307,158</u>

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

**CASS TOWNSHIP
RICHLAND COUNTY**

Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2008

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent Fund</u>	
Cash Receipts:				
Property and Local Taxes	\$ 17,615	\$ 128,571	\$ -	\$ 146,186
Intergovernmental	33,292	395,537	-	428,829
Fines, Licenses & Permits	-	15,975	-	15,975
Earnings on Investments	3,829	2,143	-	5,972
Miscellaneous	10,963	12,305	-	23,268
Total Cash Receipts	<u>65,699</u>	<u>554,531</u>	<u>-</u>	<u>620,230</u>
Cash Disbursements:				
Current:				
General Government	80,363	4,396	-	84,759
Public Safety	-	54,717	-	54,717
Public Works	-	141,070	-	141,070
Health	-	31,419	-	31,419
Human Services	-	8,450	-	8,450
Other	-	29,878	-	29,878
Capital Outlay	-	278,265	-	278,265
Total Cash Disbursements	<u>80,363</u>	<u>548,195</u>	<u>-</u>	<u>628,558</u>
Total Cash Receipts Under Cash Disbursements	<u>(14,664)</u>	<u>6,336</u>	<u>-</u>	<u>(8,328)</u>
Fund Cash Balances, January 1	<u>74,543</u>	<u>222,543</u>	<u>4,712</u>	<u>301,798</u>
Fund Cash Balances, December 31	<u>\$ 59,879</u>	<u>\$ 228,879</u>	<u>\$ 4,712</u>	<u>\$ 293,470</u>

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

**CASS TOWNSHIP
RICHLAND COUNTY**

**Notes to the Financial Statements
For the years ended December 31, 2009 and 2008**

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, Richland County, (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, including road and bridge maintenance and cemetery maintenance.

The Township participates in the Ohio Plan Risk Management, a public entity risk pool.

Public Entity Risk Pool:

Through December 31, 2008, the Township belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Risk Management Plan
- Ohio Plan Healthcare Consortium, Inc. (OPHC) – formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. – mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

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

B. Basis of Accounting

These financial statements follow the 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. Cash

The Township invests all available funds in an interest bearing checking account or certificates of deposit which are valued at cost.

D. Fund Accounting

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

**CASS TOWNSHIP
RICHLAND COUNTY**

**Notes to the Financial Statements
For the years ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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:

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

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

3. Permanent Funds

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

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

E. Budgetary Process

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

1. Appropriations

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

**CASS TOWNSHIP
RICHLAND COUNTY**

**Notes to the Financial Statements
For the years ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. 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.

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2009	2008
Demand deposits	\$304,558	\$290,870
Certificates of deposit	2,600	2,600
Total deposits	\$307,158	\$293,470

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,257	\$79,715	\$24,458
Special Revenue	334,071	326,566	(7,505)
Total	\$389,328	\$406,281	\$16,953

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$109,352	\$105,213	\$4,139
Special Revenue	287,795	287,380	415
Total	\$397,147	\$392,593	\$4,554

**CASS TOWNSHIP
RICHLAND COUNTY**

**Notes to the Financial Statements
For the years ended December 31, 2009 and 2008**

3. BUDGETARY ACTIVITY (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$53,514	\$65,699	\$12,185
Special Revenue	521,645	554,531	32,886
Total	\$575,159	\$620,230	\$45,071

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$94,359	\$80,363	\$13,996
Special Revenue	677,960	548,195	129,765
Total	\$772,319	\$628,558	\$143,761

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.

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 SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2009 and 2008, PERS members contributed 10.0% of their gross salaries and the Township contributed an amount equal to 14.0% of participants' gross salaries. Required contributions for 2009 and 2008 were \$20,310 and \$20,381, respectively. As of December 31, 2009, the Township had paid 98% of its required contribution for 2009, and 100% of its required contribution for 2008.

**CASS TOWNSHIP
RICHLAND COUNTY**

**Notes to the Financial Statements
For the years ended December 31, 2009 and 2008**

6. RISK MANAGEMENT

Through December 31, 2008, the Township belonged to the Ohio Government Risk Management Plan (the “Plan”), a non-assessable, unincorporated non-profit association providing formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Member”). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Risk Management Plan
- Ohio Plan Healthcare Consortium, Inc. (OPHC) –formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. – mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 60 members as of December 31, 2009. The Township does not participate in this coverage.

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available), and include amounts for both OPRM and OPHC:

	<u>2009 OPRM</u>	<u>2009 OPHC</u>	<u>Total 2009</u>	<u>2008</u>
Assets	\$11,176,186	\$1,358,802	\$12,534,988	\$10,471,114
Liabilities	(4,852,485)	(1,253,617)	(6,106,102)	(5,286,781)
Member's Equity	<u>\$6,323,701</u>	<u>\$105,185</u>	<u>\$6,428,886</u>	<u>\$5,184,333</u>

**CASS TOWNSHIP
RICHLAND COUNTY**

**Notes to the Financial Statements
For the years ended December 31, 2009 and 2008**

6. RISK MANAGEMENT (Continued)

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.

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

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

7. COMPLIANCE

Contrary to Ohio law, the Township did not keep accurate statements or maintain all records of the Township.

Contrary to Ohio law, the Township did not properly encumber all expenditures required by law.

Contrary to Federal law, the Township was delinquent in filing IRS Tax Forms 941 for several quarters during the audit period.

Contrary to Ohio law, the Township did not search the Auditor of State's Unresolved Findings for Recovery database prior to awarding a contract.

Contrary to Ohio law, the Township did not make available all minutes records from the audit period.

Contrary to Ohio law, the Township has not adopted a Public Records policy or Records Retention policy.

Contrary to Ohio law, the Township has not adopted a Credit Card policy.



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Board of Trustees
Cass Township
Richland County
6523 Ganges Five Points Rd.
Shiloh, Ohio 44878

We have audited the financial statements of Cass Township, Richland County, Ohio, (the Township) as of and for the years ended December 31, 2009 and 2008 and have issued our report thereon dated May 6, 2011, 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 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 through 2009-005 described in the accompanying schedule of findings to be material weaknesses.

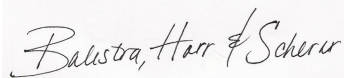
A significant deficiency is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2009-011 described in the accompanying schedule of findings to be a significant deficiency.

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-005 through 2009-010.

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

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



Balestra, Harr & Scherer, CPAs, Inc.
May 6, 2011

**CASS TOWNSHIP
RICHLAND COUNTY**

**Schedule of Findings
For the years ended December 31, 2009 and 2008**

Finding 2009-001

Material Weakness – Controls over Financial Reporting

While confirming tax and intergovernmental revenue, it was noted that several receipts were posted to the wrong fund and/or line item and tax receipts were receipted in the net amount rather than the gross amount with the corresponding expenditures in some instances. Furthermore, the District failed to record interest earned on the principal balance in its cemetery bequest fund in 2008 and 2009, however the amount of interest calculated was immaterial, therefore the financial statements were not adjusted. It was also noted that the Township reported reserve for encumbrances as of year-end for 2008 and 2009 however all purchase orders are closed out at the end of the year and expenses are re-appropriated in the subsequent year. Several adjustments were required to be made because the financial statements were materially misstated.

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

- Property and other local taxes
- Intergovernmental revenue
- Miscellaneous revenue
- General government expense
- Public works expense
- Other expense
- Reserve for encumbrances

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

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

Client Response:

The Fiscal Officer will make the correcting adjustments. The Fiscal Officer will be diligent with completing bank reconciliations correctly.

Finding 2009-002

Material Weakness – Controls over Accounting and Reporting

The Township has experienced several accounting and reporting issues as evidenced by the number of report findings.

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

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

**CASS TOWNSHIP
RICHLAND COUNTY**

**Schedule of Findings
For the years ended December 31, 2009 and 2008**

Finding 2009-002 (Continued)

Material Weakness – Controls over Accounting and Reporting (Continued)

Failure to implement controls over the financial accounting process has resulted in the Township's records being inaccurate. Furthermore, the Township has been delinquent in filing tax returns, and payroll withholdings have not been accurately and timely remitted to the appropriate agencies.

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

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

Client Response:

The Fiscal Officer will hold by-weekly meetings with the Trustees, present a financial worksheet to Trustees, develop a checklist, and follow the OTA calendar.

Finding Number 2009-003

Material Weakness – Controls over Reconciling

The 2009 monthly bank reconciliations contained reconciling items that were not supported as well as reconciling items that were inaccurate. Specifically, the December 2009 bank reconciliation contained reconciling items of deposits in transit that had been deposited in the bank account in previous month, outstanding checks that had cleared the bank in previous month as well as unsupported other adjusting factors that were incorrect. Checks recorded in the UAN system did not correspond with the checks found on the bank statements. Additionally, a check that was withdrawn from the Township's general checking account was not recorded in the UAN system. Monthly reconciliations were initialed by trustees, however, it does not appear that these reconciliations were reviewed by anyone other than the fiscal officer.

The aforementioned errors were the result of a lack of internal controls over reconciling of the Township's bank account.

The Township should implement application and monitoring controls to ensure that reconciliations are accurately completed and contain support for any reconciling items.

Client Response:

The Fiscal Officer indicated this was a mistake on her part and will not make the same mistakes in the future.

**CASS TOWNSHIP
RICHLAND COUNTY**

**Schedule of Findings
For the years ended December 31, 2009 and 2008**

Finding Number 2009-004

Material Weakness – Incorrect Check Numbers

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

Instances were noted during the audit period in which the check numbers documented in the UAN system did not agree to the check numbers on the cancelled checks.

These errors occurred because the previous fiscal officer wrote a significant number of manual checks in the first three months of 2008, and recorded incorrect information regarding those checks into the UAN system. These errors also occurred because the current fiscal officer used pre-numbered checks that were not printed to correspond with the warrant numbers assigned by UAN.

As a result, the Township's accounting system contains inaccurate information, which contributed to cumbersome bank reconciliations.

The Township should develop and implement procedures to ensure that information entered into its accounting system is accurate and complete. The Township should also ensure that all checks written are properly documented and filed.

Client Response:

The previous clerk hand wrote a lot of checks. We do not hand write checks unless there is a technical issue. We are working very hard to do better.

Finding Number 2009-005

Material Weakness/Material Noncompliance – Inaccurate Accounting Records

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

Supporting documentation/invoices could not be located for the following checks during the audit until requested by the audit team:

Check #15694, Paid to Lake Erie Construction on 1/26/2008 in the amount of \$15,476.25 (this check was recorded in the UAN system as check number 15698)

Check #16137, Paid to Jim Wilson Trucking on 1/27/2009 in the amount of \$4,000

Check #16310, Paid to Valley Ford on 7/21/2009 in the amount of \$34,541 (this check was not recorded in the UAN system)

The Township did not have copies of required budgetary documents in the Township's records. Copies of required documents had to be obtained from the County Auditor's office.

**CASS TOWNSHIP
RICHLAND COUNTY**

**Schedule of Findings
For the years ended December 31, 2009 and 2008**

Finding Number 2009-005

Material Weakness/Material Noncompliance – Inaccurate Accounting Records (Continued)

Failure to provide accurate and complete financial information limits management's resources for decision making and can provide a false perception of the Township's financial position.

We recommend the Township ensure that proper documentation is maintained for all expenditures and that all expenditures are for an allowable purpose. The Township should implement procedures to ensure that accounting records of the Township are accurate and complete.

Client Response:

The Fiscal Officer located and sent the necessary invoices to the auditors. The Fiscal Officer will ensure that all invoices are attached to the check.

Finding Number 2009-006

Material Noncompliance

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

This section also provides two "exceptions" to the above requirements:

- 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 Township can authorize the drawing of a warrant for the payment or the amount due. The Township can authorize the drawing of a warrant for the payment of the amount due. The Township 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 maybe 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 Township.

- B. 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 on particular line item appropriation.
- C. Super Blanket Certificate – The Township 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 reasonable 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.

Multiple expenditures were not properly encumbered prior to orders/contracts being made. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**CASS TOWNSHIP
RICHLAND COUNTY**

**Schedule of Findings
For the years ended December 31, 2009 and 2008**

Finding Number 2009-006 (Continued)

The Township should certify purchases to which 5705.41 (D) applies. The Township should generate a purchase order for all expenditures before placing an order. If a purchase must be made in an emergency, the purchase order should be documented with a "Then and Now" certificate. A copy of the purchase order should be attached to all voucher packets for proper documentation.

Client Response:

The Fiscal Officer will set up blanket purchase orders at the beginning of the year for usual vendors. All other purchases will require the road supervisor to notify me and the trustees prior to the purchase.

Finding Number 2009-007

Material Noncompliance

26 U.S.C. 3402(a)(1) requires employers to withhold and remit federal income taxes from wages of employees and elected officials. Federal income tax regulations require the Township to prepare the IRS Tax Form 941 on a quarterly basis, and to make monthly deposits of Medicare and Income Tax withholdings. Various Ohio Revised Code Sections also require the Township to withhold from the employees' wages, or pay on behalf of the employees, a certain percentage of earned wages as defined and to remit to the appropriate system the amounts withheld, matched with an appropriate percentage of employer matching contributions.

The previous fiscal officer did not file federal taxes and/or filed them late for fiscal years 2005 through the beginning of 2008. This resulted in the current fiscal officer being unable to determine what payments needed to be made for the current fiscal years and which ones were for the previous fiscal years. The IRS has sent numerous bills and statements for fiscal years 2005-2009 resulting in confusion as to what is still currently due. The Township did not file Form 941s in 2008 and was delinquent in filing IRS Tax Forms 941 for 2009. The Township paid their required federal taxes in both 2008 and 2009 but did not file the required forms in a timely manner resulting in penalties and interest.

Failure to file the required forms with the appropriate taxing agencies resulted in non-compliance with federal income tax requirements, and has resulted in unnecessary interest and penalties for which the Township is liable.

The Township should develop and implement procedures to ensure that all required tax deposits are made and the appropriate tax forms are prepared accurately and completely, and are submitted in accordance with applicable requirements. The Township should contact all taxing authorities (federal, state and local), and obtain documentation to determine what forms have been submitted, those that remain unsubmitted, whether balances are still owed to these agencies, and to settle these liabilities to ensure accounts are up to date.

Client Response:

The Fiscal Officer has corrected the issues with the 941's in 2008 and has submitted all 941s.

**CASS TOWNSHIP
RICHLAND COUNTY**

**Schedule of Findings
For the years ended December 31, 2009 and 2008**

Finding Number 2009-008

Material Noncompliance

Ohio Revised Code Section 9.24 states in part that no state agency and no political subdivision receiving more than \$50,000 in state funds in a fiscal year (per OAG 2004-014) shall award a contract for goods, services, or construction, paid for in whole or in part with state funds, to a person [this section defines "person" as an individual, corporation, business trust, partnership, and association; see Ohio Rev. Code Section 1.59] against whom a finding for recovery has been issued by the auditor of state, if the finding for recovery is unresolved.

The Fiscal Officer could not provide any documentation proving that the Auditor of State's Unresolved Findings for Recovery database was viewed prior to the awarding of contracts.

Failure to search the unresolved findings for recovery database could result in a contract being awarded to an entity with unresolved findings for recovery.

The Fiscal Officer should ensure that the database is reviewed prior to the awarding of a contract and that documentation is retained in the Township's records.

Client Response:

The Fiscal Officer will do a better job of checking the database.

Finding Number 2009-009

Material Noncompliance

Ohio Revised Code Section 101.15 Public Meetings states that all meetings of any committee are declared to be public meetings open to the public at all times. The secretary assigned to the chairperson of the committee shall prepare, file, and maintain the minutes of every regular or special meeting of a committee. The committee, at its next regular or special meeting, shall approve the minutes prepared, filed, and maintained by the secretary, or, if the minutes prepared, filed, and maintained by the secretary require correction before their approval, the committee shall correct and approve the minutes at the next following regular or special meeting. The committee shall make the minutes available for public inspection not later than seven days after the meeting the minutes reflect or not later than the committee's next regular or special meeting, whichever occurs first.

Minutes records were not available for review for any meetings in January through March 2008 due to a transition from one fiscal officer to another during April of 2008.

The Township should ensure that all meeting minutes are retained and made available to the public within the required timeframe.

Client Response:

All minutes are written on the computer and maintained. This issue occurred with the previous clerk.

**CASS TOWNSHIP
RICHLAND COUNTY**

**Schedule of Findings
For the years ended December 31, 2009 and 2008**

Finding Number 2009-010

Material Noncompliance

Ohio Revised Code states that every public office must have a policy in place for compliance with Public Records Laws. There are three specific items that public offices cannot have in their public records policies. They policy cannot: (1) limit the number of public records it will make available to a single person; (2) limit the number of public records it will make available during a fixed period of time; or (3) establish a fixed period of time before it will respond to a request for inspection/copying of public records unless that period is less than eight hours. Ohio Attorney General shall develop and provide to all public offices a model public records policy for responding to public records requests in compliance with Ohio Rev. Code §149.43

Pursuant to Ohio Rev. Code 149.43(B)(2), the entity shall have available a copy of its current records retention schedule at a location readily available to the public.

The Township has not adopted a public records policy or a records retention policy.

The Township should adopt and establish a written policy regarding the availability of public records and a separate policy regarding the disposal of old records.

Client Response:

The Fiscal Officer attended training and the Township is in the process of writing a policy.

Finding Number 2009-011

Significant Deficiency

Ohio Revised Code authorized counties, townships, park districts and agricultural societies to use credit cards. The use of these items should be specified in a policy the government's legislative body adopts. These policies should, at a minimum, identify authorized users, guidelines for allowable use/ purchases, method of reimbursement (if personal use is allowed), specific unallowable uses, reporting, monitoring of use by appropriate levels of management, and other guidelines the legislative body deems appropriate.

The Township utilizes a credit card but has no written policy in place regarding its use. The absence of a policy governing the use of credit cards could result in misuse or theft of Township property.

The Township should adopt a written policy regarding the use of its credit card. All applicable receipts should be attached to the voucher packet to ensure proper recording and allowable use.

Client Response:

The Township now uses the policy written by Ohio Plan. It is on file at the Township hall. The Township has a limit of \$500 and no one uses the credit card except the Fiscal Officer or Trustees for necessary purchases.

**CASS TOWNSHIP
RICHLAND COUNTY**

**Schedule of Prior Audit Findings
For the years ended December 31, 2009 and 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2007-01	Material Weakness – Controls over Financial Reporting	No	Re-issued as finding number 2009-001
2007-02	Material Weakness – Controls over Accounting and Reporting	No	Re-issued as finding number 2009-002
2007-03	Material Weakness – Monitoring Control System	No	Partially Corrected; Re-issued as finding number 2009-003 over only the reconciling process
2007-04	Material Weakness – Use of manual checks and check numbers not corresponding to the system	No	Partially Corrected; Re-issued as finding number 2009-004 over check numbers not corresponding to the system only. Use of manual checks was corrected in April 2008 once the new fiscal officer took over.
2007-05	Material Weakness – Failure to maintain adequate documentation of employee time	Yes	
2007-06	Material Weakness – Discrepancies between cemetery receipts and deposited amounts	Yes	
2007-07	Material Weakness – Cemetery fees charged did not agree to the fee schedule	Yes	
2007-08	Material Noncompliance – ORC 5705.38(A) – Failure to pass an annual appropriation measure	Yes	
2007-09	Material Noncompliance – ORC 5705.40 – Failure to file appropriation amendments	Yes	
2007-10	Material Noncompliance – ORC 5705.39 – appropriations exceeded estimated resources	Yes	

**CASS TOWNSHIP
RICHLAND COUNTY**

**Schedule of Prior Audit Findings (Continued)
For the years ended December 31, 2009 and 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2007-11	Material Noncompliance – ORC 5705.41(B) – expenditures in excess of appropriations	Yes	
2007-12	Material Noncompliance – ORC 733.28 – Inaccurate accounting records	No	Re-issued as finding number 2009-005 as a Material Weakness/Material Noncompliance
2007-13	Material Noncompliance – Failure to file required forms with appropriate taxing agencies	No	Re-issued as finding number 2009-007
2007-14	Material Noncompliance – Failure to prepare accurate IRS Tax Form W-2s	Yes	
2007-15	Material Noncompliance – ORC 117.38 – Failure to file annual reports as required	Yes	
2007-16	Material Noncompliance – ORC 9.38 – Failure to make timely deposits	Yes	



Dave Yost • Auditor of State

CASS TOWNSHIP

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 05, 2011**