



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

CASS TOWNSHIP
HANCOCK COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Cass Township
Hancock County
14127 Township Road 213
Findlay, Ohio 45840-9711

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, 2000 and 1999. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

May 29, 2001

**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, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$27,923	\$27,923	\$55,846
Intergovernmental	53,706	62,979	116,685
Earnings on Investments	992	2,288	3,280
Other Revenue	1,746		1,746
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	84,367	93,190	177,557
Cash Disbursements:			
Current:			
General Government	53,720		53,720
Public Safety	15,130		15,130
Public Works	22,460	96,095	118,555
Health	7,285		7,285
Capital Outlay	7,852	14,450	22,302
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	106,447	110,545	216,992
Total Disbursements Over Receipts	(22,080)	(17,355)	(39,435)
Fund Cash Balances, January 1	53,909	127,958	181,867
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$31,829	\$110,603	\$142,432
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserve for Encumbrances, December 31			

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, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$28,805	\$28,805	\$57,610
Intergovernmental	80,865	59,290	140,155
Earnings on Investments	560	1,247	1,807
Other Revenue	1,720		1,720
	<u>111,950</u>	<u>89,342</u>	<u>201,292</u>
Total Cash Receipts			
	<u>111,950</u>	<u>89,342</u>	<u>201,292</u>
Cash Disbursements:			
Current:			
General Government	45,516		45,516
Public Safety	15,500		15,500
Public Works	51,862	20,206	72,068
Health	5,138		5,138
Capital Outlay	3,750	11,019	14,769
	<u>121,766</u>	<u>31,225</u>	<u>152,991</u>
Total Cash Disbursements			
	<u>121,766</u>	<u>31,225</u>	<u>152,991</u>
Total Receipts Over/(Under) Disbursements	(9,816)	58,117	48,301
Fund Cash Balances, January 1	<u>63,725</u>	<u>69,841</u>	<u>133,566</u>
Fund Cash Balances, December 31	<u>\$53,909</u>	<u>\$127,958</u>	<u>\$181,867</u>
Reserve for Encumbrances, December 31		<u>\$25,543</u>	<u>\$25,543</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, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Cass Township, Hancock County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance and cemetery maintenance. The Township contracts with the Village of Bloomdale and Washington and Allen Townships to provide fire services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Repurchase agreements are reported at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**CASS TOWNSHIP
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

Motor Vehicle License Tax Fund - This fund receives license fee money to pay for constructing, maintaining and repairing Township roads.

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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$27,310	\$181,867
Repurchase Agreement	<u>115,122</u>	<u> </u>
Total deposits and investments	<u><u>\$142,432</u></u>	<u><u>\$181,867</u></u>

**CASS TOWNSHIP
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

Investments: Investments in repurchase agreements are uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$81,434	\$84,367	\$2,933
Special Revenue	100,286	93,190	(7,096)
Total	\$181,720	\$177,557	(\$4,163)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$114,918	\$106,447	\$8,471
Special Revenue	211,510	110,545	100,965
Total	\$326,428	\$216,992	\$109,436

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$74,209	\$111,950	\$37,741
Special Revenue	96,861	89,342	(7,519)
Total	\$171,070	\$201,292	\$30,222

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$134,873	\$121,766	\$13,107
Special Revenue	163,642	56,768	106,874
Total	\$298,515	\$178,534	\$119,981

**CASS TOWNSHIP
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. COMPLIANCE

The Township had \$11,093 in outstanding purchase commitments, at December 31, 1999, that were not certified until 2000 and as a result were inappropriately charged against 2000 appropriations, which is contrary to Ohio Revised Code § 5705.41(D).

5. PROPERTY TAX

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

6. RETIREMENT SYSTEMS

The Township's personnel 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 2000 and 1999, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% and 10.84% of participants' gross salaries for 1999 and 2000, respectively. The Township has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA), a local government risk. OTARMA assumes the risk of loss up to the limits of the Township's policy. The OTARMA may assess supplemental premiums. The following risks are covered by OTARMA:

- Legal Liability - third party claims coverage;
- Wrongful Act coverage;
- Property Coverage - building and contents and inland marine; and
- Automobile - liability and physical damage coverage.

The Township also reimburses officials for healthcare insurance coverage up to \$1,500 annually.

**CASS TOWNSHIP
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

8. RELATED PARTY TRANSACTIONS

The son of one of the Trustees has an excavation business and was paid \$8,310 in 1999 for installation and repair of tiles and for repair work on the township house roof. In 2000 this person was paid \$2,977 for installing insulation and cabinets and counters in the Township house.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Cass Township
Hancock County
14127 Township Road 213
Findlay, Ohio 45840-9711

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, 2000 and 1999, and have issued our report thereon dated May 29, 2001. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-40232-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated May 29, 2001.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted an instance involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-40232-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 29, 2001.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

May 29, 2001

**CASS TOWNSHIP
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-40232-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Trustees may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1000, the fiscal officer may authorize it to be paid without the affirmation of the Trustees, if such expenditure is otherwise valid.

As of December 31, 1999, the Township had \$11,093 in outstanding purchase commitments that were not certified until 2000, and as a result were inappropriately charged against fiscal year 2000 appropriations. The accompanying financial statements have been adjusted to reflect this amount as an outstanding encumbrance in the special revenue funds, as of December 31, 1999.

Certification is not only required by Ohio law but is a key control in the disbursement process to assure that 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 Trustees. To improve controls over disbursements, we recommend that all Township disbursements receive prior certification of the Clerk and that the Trustees periodically review the expenditures made to ensure they are within the appropriations adopted by the Trustees, certified by the Clerk and recorded against appropriations.

FINDING NUMBER 2000-40232-002

Reportable Condition - Financial Monitoring

1) The Township receipts in some instances were not deposited in the bank or posted to the ledgers in a timely manner, in one instance more than \$35,000 was not posted the ledgers for over 2 months and in another instance over \$5,000 was not deposited by the Clerk for almost 2 months, 2) Several disbursements were posted to the wrong fund and/or account and some disbursements posted in 2000 did not have checks issued until 2001, 3) The certificate of total amounts available for expenditures and balances filed with the county auditor as of December 31, 1999 included inaccurate balances and did not include outstanding encumbrances, 4) Employee wages were not approved by the Trustees, 5) During the second half of 2000 PERS reduced the employer rate of contributions, the Township failed to implement the reduced rate resulting in the accumulation of a \$720.77 credit balance with PERS at year end.

FINDING NUMBER 2000-40232-002
(Continued)

All of these deficiencies indicate a lack of or insufficient monitoring of financial activity by the Trustees. Monitoring of finances by the Trustees is a key control to ensure Township funds are not wasted, misused or stolen. To ensure the records are up to date, accurate and in balance the Trustees should review the records to ensure all amounts are posted in a timely manner, posted to the proper fund and account and in the proper period, all the certificates filed with the County Auditor are complete and accurate, all wage matters are approved and included in the minutes, and that the proper retirement rates are used. To assist the Trustees with their review the Clerk should provide them with monthly financial statements that include comparisons of budget and actual receipts and disbursements, all bills to be paid along with supporting documentation and the monthly reconciliation of the books to the bank along with documentation to support all reconciling items. The Township could gain efficiencies in both financial accounting and reporting if the Trustees would consider investing in additional training for the Clerk.

**CASS TOWNSHIP
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-40232-001	ORC § 507.09 Clerk over paid.	Yes	



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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
JUNE 12, 2001**