



**Auditor of State  
Betty Montgomery**



VILLAGE OF CASSTOWN  
MIAMI COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2005.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2004.....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15

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**Auditor of State  
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

September 6, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Casstown, Miami County, (the Village), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village'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 Village 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004 the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds 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 the Village of Casstown, Miami County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village 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 September 6, 2006, on our consideration of the Village'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.



**Betty Montgomery**  
Auditor of State

September 6, 2006



**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, 2005**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$10,177	\$4,054		\$14,231
Special Assessments	5,690			5,690
Intergovernmental Receipts	22,881	18,615		41,496
Charges for Services			\$4,637	4,637
Fines, Licenses, and Permits	15			15
Earnings on Investments	7,344	1,608		8,952
Miscellaneous	1,408			1,408
	<u>47,515</u>	<u>24,277</u>	<u>4,637</u>	<u>76,429</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	3,788	4,799		8,587
Public Health Services	2,533			2,533
Leisure Time Activities	150			150
Transportation	22,584	1,265		23,849
General Government	15,150		137	15,287
	<u>44,205</u>	<u>6,064</u>	<u>137</u>	<u>50,406</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>3,310</u>	<u>18,213</u>	<u>4,500</u>	<u>26,023</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	673	673	3,338	4,684
Transfers-Out	(4,717)	(1,346)		(6,063)
	<u>(4,044)</u>	<u>(673)</u>	<u>3,338</u>	<u>(1,379)</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(734)	17,540	7,838	24,644
Fund Cash Balances, January 1	<u>142,976</u>	<u>79,362</u>	<u>83,373</u>	<u>305,711</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$142,242</u></u>	<u><u>\$96,902</u></u>	<u><u>\$91,211</u></u>	<u><u>\$330,355</u></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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$45,352		\$45,352
Earnings on Investment		\$2,928	2,928
Miscellaneous		2,000	2,000
Total Operating Cash Receipts	<u>45,352</u>	<u>4,928</u>	<u>50,280</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	20,973		20,973
Travel Transportation	90		90
Contractual Services	822	853	1,675
Supplies and Materials	7,269		7,269
Total Operating Cash Disbursements	<u>29,154</u>	<u>853</u>	<u>30,007</u>
Operating Income/(Loss)	<u>16,198</u>	<u>4,075</u>	<u>20,273</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	629		629
Total Non-Operating Cash Receipts	<u>629</u>		<u>629</u>
<b>Non-Operating Cash Disbursements:</b>			
Other Non-Operating Cash Disbursements	241		241
Total Non-Operating Cash Disbursements	<u>241</u>		<u>241</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	16,586	4,075	20,661
Transfers-In	1,379		1,379
Net Receipts Over/(Under) Disbursements	17,965	4,075	22,040
Fund Cash Balances, January 1	<u>68,727</u>	<u>63,569</u>	<u>132,296</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$86,692</u></b>	<b><u>\$67,644</u></b>	<b><u>\$154,336</u></b>

*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, 2004**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$10,171	\$4,088		\$14,259
Special Assessments	5,601			5,601
Intergovernmental Receipts	23,045	16,426		39,471
Charges for Services			\$2,887	2,887
Fines, Licenses, and Permits	22			22
Earnings on Investments	5,027	728		5,755
Miscellaneous	1,329			1,329
	<u>45,195</u>	<u>21,242</u>	<u>2,887</u>	<u>69,324</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	3,788	4,861		8,649
Public Health Services	2,340			2,340
Leisure Time Activities	125			125
Transportation	8,467	640		9,107
General Government	17,961			17,961
Capital Outlay			7,133	7,133
	<u>32,681</u>	<u>5,501</u>	<u>7,133</u>	<u>45,315</u>
Total Receipts Over/(Under) Disbursements	<u>12,514</u>	<u>15,741</u>	<u>(4,246)</u>	<u>24,009</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In			3,211	3,211
Transfers-Out	(3,631)			(3,631)
	<u>(3,631)</u>		<u>3,211</u>	<u>(420)</u>
Total Other Financing Receipts/(Disbursements)	<u>(3,631)</u>		<u>3,211</u>	<u>(420)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	8,883	15,741	(1,035)	23,589
Fund Cash Balances, January 1	<u>134,093</u>	<u>63,621</u>	<u>84,408</u>	<u>282,122</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$142,976</u></u></b>	<b><u><u>\$79,362</u></u></b>	<b><u><u>\$83,373</u></u></b>	<b><u><u>\$305,711</u></u></b>

*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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$39,308		\$39,308
Earnings on Investment		\$2,805	2,805
Total Operating Cash Receipts	<u>39,308</u>	<u>2,805</u>	<u>42,113</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	21,928		21,928
Travel Transportation	45		45
Contractual Services	824	790	1,614
Supplies and Materials	8,242		8,242
Total Operating Cash Disbursements	<u>31,039</u>	<u>790</u>	<u>31,829</u>
Operating Income/(Loss)	<u>8,269</u>	<u>2,015</u>	<u>10,284</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	<u>539</u>		<u>539</u>
Total Non-Operating Cash Receipts	<u>539</u>		<u>539</u>
<b>Non-Operating Cash Disbursements:</b>			
Other Non-Operating Cash Disbursements	<u>475</u>		<u>475</u>
Total Non-Operating Cash Disbursements	<u>475</u>		<u>475</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	8,333	2,015	10,348
Transfers-In	<u>420</u>		<u>420</u>
Net Receipts Over/(Under) Disbursements	8,753	2,015	10,768
Fund Cash Balances, January 1	<u>59,974</u>	<u>61,554</u>	<u>121,528</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$68,727</u></b>	<b><u>\$63,569</u></b>	<b><u>\$132,296</u></b>

*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, 2005 AND 2004**

**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 governs the Village. The Village provides general governmental services, 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. Basis of Accounting**

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

These statements adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

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 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.

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

**VILLAGE OF CASSTOWN  
MIAMI COUNTY**

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

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

**3. Capital Project Fund**

This fund accounts 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 fund:

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

**4. Enterprise Fund**

This fund accounts for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

**Cemetery Operating Fund** - This fund receives charges for services to manage the cemetery.

**5. Fiduciary Fund (Trust Fund)**

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant fiduciary fund:

**Non-Expendable Trust Fund**

**Cemetery Endowment Fund** – Amounts donated are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donation.

**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. Village Council 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.

**VILLAGE OF CASSTOWN  
MIAMI COUNTY**

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

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**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>2005</b>	<b>2004</b>
Demand deposits	\$56,370	\$183,125
Certificates of deposit	428,321	254,882
Total deposits	484,691	438,007

**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, 2005 and 2004 follows:

<b>2005 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$49,435	\$48,188	(\$1,247)
Special Revenue	27,359	24,950	(2,409)
Capital Projects	8,350	7,975	(375)
Enterprise	53,248	47,360	(5,888)
Fiduciary	4,950	4,928	(22)
Total	\$143,342	\$133,401	(\$9,941)

  

<b>2005 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$94,840	\$48,922	\$45,918
Special Revenue	46,748	7,410	39,338
Capital Projects	15,350	137	15,213
Enterprise	45,000	29,395	15,605
Fiduciary	1,500	853	647
Total	\$203,438	\$86,717	\$116,721

**VILLAGE OF CASSTOWN  
MIAMI COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

<b>2004 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$42,543	\$45,195	\$2,652
Special Revenue	21,902	21,242	(660)
Capital Projects	7,762	6,098	(1,664)
Enterprise	46,883	40,267	(6,616)
Fiduciary	3,000	2,805	(195)
Total	\$122,090	\$115,607	(\$6,483)

<b>2004 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$71,830	\$36,312	\$35,518
Special Revenue	45,601	5,501	40,100
Capital Projects	15,350	7,133	8,217
Enterprise	46,025	31,514	14,511
Fiduciary	1,500	790	710
Total	\$180,306	\$81,250	\$99,056

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**5. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.



**VILLAGE OF CASSTOWN  
MIAMI COUNTY**

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

**A. Risk Pool Membership**

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.

**B. Casualty Coverage**

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. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 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.

**C. Property Coverage**

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. 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 value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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 township.

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

Members may withdraw on each anniversary of the date they joined PEP. They must 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 contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**VILLAGE OF CASSTOWN  
MIAMI COUNTY**

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

**6. RISK MANAGEMENT (Continued)**

**D. 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, 2005 and 2004.

<b>Casualty Coverage</b>	<b>2005</b>	<b>2004</b>
Assets	\$29,719,675	\$27,437,169
Liabilities	(15,994,168)	(13,880,038)
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>

<b>Property Coverage</b>	<b>2005</b>	<b>2004</b>
Assets	\$4,443,332	\$3,648,272
Liabilities	(1,068,245)	(540,073)
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The Village's share of these unpaid claims is approximately \$10,568.



**Auditor of State  
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the Village of Casstown, Miami County, (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 6, 2006, wherein we noted the Village 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 Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated September 6, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

**Compliance and Other Matters**

As part of reasonably assuring whether the Village'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated September 6, 2006, we reported other matters related to noncompliance we deemed immaterial.

Village of Casstown  
Miami County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management and Village Council. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

September 6, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**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  
OCTOBER 12, 2006**