



Dave Yost • Auditor of State

VILLAGE OF CASSTOWN
MIAMI COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Casstown, Miami County, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Casstown, Miami County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

July 7, 2014

**VILLAGE OF CASSTOWN
MIAMI COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$10,524	\$4,740		\$15,264
Intergovernmental	16,037	16,165		32,202
Special Assessments		4,566		4,566
Charges for Services	180	42,948	\$4,150	47,278
Fines, Licenses and Permits	1,878			1,878
Earnings on Investments	269	98	2	369
Miscellaneous	266			266
Total Cash Receipts	<u>29,154</u>	<u>68,517</u>	<u>4,152</u>	<u>101,823</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	6,622	10,206		16,828
Public Health Services		56,054		56,054
Leisure Time Activities	269			269
Transportation	3,698	5,632		9,330
General Government	17,532	331		17,863
Debt Service:				
Principal Retirement		9,925		9,925
Total Cash Disbursements	<u>28,121</u>	<u>82,148</u>		<u>110,269</u>
Excess of Receipts Over (Under) Disbursements	<u>1,033</u>	<u>(13,631)</u>	<u>4,152</u>	<u>(8,446)</u>
Fund Cash Balances, January 1	<u>198,784</u>	<u>221,093</u>	<u>77,155</u>	<u>497,032</u>
Fund Cash Balances, December 31:				
Restricted		207,462		207,462
Committed			81,307	81,307
Assigned	107,057			107,057
Unassigned (Deficit)	92,760			92,760
Fund Cash Balances, December 31	<u>\$199,817</u>	<u>\$207,462</u>	<u>\$81,307</u>	<u>\$488,586</u>

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

VILLAGE OF CASSTOWN
MIAMI COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Private-Purpose Trust</u>
Operating Cash Receipts:	
Earnings on Investments	\$55
Total Operating Cash Receipts	<u>55</u>
Operating Cash Disbursements:	
Supplies and Materials	1,869
Total Operating Cash Disbursements	<u>1,869</u>
Net Change in Fund Cash Balance	(1,814)
Fund Cash Balance, January 1	<u>73,573</u>
Fund Cash Balance, December 31	<u><u>\$71,759</u></u>

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

**VILLAGE OF CASSTOWN
MIAMI COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$9,950	\$4,476		\$14,426
Intergovernmental	17,692	14,697	\$12,985	45,374
Special Assessments		4,437		4,437
Charges for Services	1,530	36,329	3,586	41,445
Fines, Licenses and Permits	1,900			1,900
Earnings on Investments	193	56	4	253
Total Cash Receipts	<u>31,265</u>	<u>59,995</u>	<u>16,575</u>	<u>107,835</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	8,326	9,445		17,771
Public Health Services		47,420		47,420
Leisure Time Activities	216			216
Transportation	3,280	1,175		4,455
General Government	31,327	87		31,414
Capital Outlay			12,985	12,985
Debt Service:				
Principal Retirement		4,962		4,962
Total Cash Disbursements	<u>43,149</u>	<u>63,089</u>	<u>12,985</u>	<u>119,223</u>
Excess of Receipts Over (Under) Disbursements	<u>(11,884)</u>	<u>(3,094)</u>	<u>3,590</u>	<u>(11,388)</u>
Fund Cash Balances, January 1	<u>210,668</u>	<u>224,187</u>	<u>73,565</u>	<u>508,420</u>
Fund Cash Balances, December 31:				
Restricted		221,093		221,093
Committed			77,155	77,155
Assigned	53,302			53,302
Unassigned (Deficit)	145,482			145,482
Fund Cash Balances, December 31	<u>\$198,784</u>	<u>\$221,093</u>	<u>\$77,155</u>	<u>\$497,032</u>

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

VILLAGE OF CASSTOWN
MIAMI COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Private-Purpose Trust</u>
Operating Cash Receipts:	
Earnings on Investments	\$64
Total Operating Cash Receipts	<u>64</u>
Operating Cash Disbursements:	
Supplies and Materials	1,871
Total Operating Cash Disbursements	<u>1,871</u>
Operating Income (Loss)	<u>(1,807)</u>
Non-Operating Receipts (Disbursements):	
Miscellaneous Receipts	5,000
Total Non-Operating Receipts (Disbursements)	<u>5,000</u>
Net Change in Fund Cash Balance	3,193
Fund Cash Balance, January 1	<u>70,380</u>
Fund Cash Balance, December 31	<u><u>\$73,573</u></u>

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

**VILLAGE OF CASSTOWN
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Casstown, Miami County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides park and cemetery operations. The Village contracts with the Miami County Sheriff's department to provide security of persons and property. The Village contracts with Casstown Volunteer Fire Department to receive fire protection services and Elizabeth Township for ambulance/EMS service.

The Village participates in a public entity risk pool, the Public Entities Pool of Ohio (PEP). Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Village's cash is deposited in a checking account, a savings account, and certificates of deposit, which are valued 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

**VILLAGE OF CASSTOWN
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cemetery Operating Fund - This fund receives receipts from the operation of the cemetery to provide for maintaining the cemetery.

Street Lighting Fund - This fund receives special assessment levy money for maintaining the street lights for the Village.

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

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

State Route 55 Road Project Fund - This fund receives proceeds from the Ohio Public Works Commission. The proceeds are being used for road projects.

Cemetery Land Purchase and Maintenance Fund - This fund receives twenty five percent (25%) of the sale of cemetery lots to have funds to purchase additional grounds or to provide maintenance of the cemetery land.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

The Village's private purpose trust fund is for the benefit of certain individuals.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

VILLAGE OF CASSTOWN
MIAMI COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**VILLAGE OF CASSTOWN
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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 DEPOSITS

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

	2013	2012
Demand deposits	\$490,205	\$239,201
Certificates of deposit	70,140	331,404
Total deposits	\$560,345	\$570,605

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, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$29,140	\$29,154	\$14
Special Revenue	66,519	68,517	1,998
Capital Projects	4,077	4,152	75
Private-Purpose Trust	52	55	3
Total	\$99,788	\$101,878	\$2,090

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$42,313	\$28,121	\$14,192
Special Revenue	102,139	82,148	19,991
Capital Projects	2,500		2,500
Private-Purpose Trust	2,000	1,869	131
Total	\$148,952	\$112,138	\$36,814

**VILLAGE OF CASSTOWN
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,696	\$31,265	(\$4,431)
Special Revenue	54,467	59,995	5,528
Capital Projects	16,577	16,575	(2)
Private-Purpose Trust	5,063	5,064	1
Total	\$111,803	\$112,899	\$1,096

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$53,872	\$43,149	\$10,723
Special Revenue	80,150	63,089	17,061
Capital Projects	15,485	12,985	2,500
Private-Purpose Trust	5,000	1,871	3,129
Total	\$154,507	\$121,094	\$33,413

The Village did not record special assessments in the correct fund in 2012.

4. PROPERTY TAX

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

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

5. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$183,605	0%
Total	\$183,605	

The Ohio Public Work Commission (OPWC) loan relates to the Main Street (State Route 55) reconstruction. The original loan amount was \$198,492. The Village will repay the loans in semiannual installments of \$4,962 over 20 years.

Amortization of the above debt is scheduled as follows:

**VILLAGE OF CASSTOWN
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. DEBT (Continued)

<u>Year ending December 31:</u>	<u>OPWC Loan</u>
2014	\$9,925
2015	9,925
2016	9,925
2017	9,925
2018	9,925
2019-2023	49,622
2024-2028	49,622
2029-2032	34,736
Total	\$183,605

6. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

7. RISK MANAGEMENT

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

A. Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

**VILLAGE OF CASSTOWN
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. RISK MANAGEMENT (Continued)

B. 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, 2012 and 2011 (the latest information available):

	2012	2011
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Position	\$20,181,216	\$19,175,131

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$5,000.

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

Contributions to PEP	
2013	2012
\$6,122	\$7,315

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Casstown, Miami County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated July 7, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a 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 findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-002.

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Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

July 7, 2014

**VILLAGE OF CASSTOWN
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Material Weakness – Financial Statement Misstatements

The Village's financial statements for 2013 and 2012 contained errors which resulted in reclassifications and adjustments to correctly report the financial activity during the audit period as follows:

- The Village's January 1, 2012 beginning fund cash balance for the General Fund was understated by \$165 when compared to the December 31, 2011 ending fund cash balance from the previous audit report, and the January 1, 2012 beginning fund cash balance for the Street Lighting Fund was overstated by \$165 when compared to the December 31, 2011 ending fund cash balance from the previous audit report.
- The Village classified its debt payments in the Transportation line item instead of in the Principal Retirement line item in the Street Construction, Maintenance, and Repair Fund. The amounts involved in 2013 and 2012 were \$9,925 and \$4,962, respectively.
- The Village classified its 2013 special assessments receipts in the amount of \$4,566 as property tax receipts instead of special assessment receipts in the Street Lighting Fund.
- The Village posted a \$550 receipt for cemetery charges for services as property taxes in the Fire Levy Fund during 2013. After the adjustment was made, this item resulted in the Fire Levy Fund having a negative fund cash balance at December 31, 2013.
- On-behalf monies in the amount of \$12,985 received from the Ohio Public Works Commission during 2012 for the Village's street project were not recorded in the accounting system or the 2012 financial statements. In accordance with **Auditor of State Bulletin 2002-004**, the Village should have recorded a memo receipt and expenditure in the capital projects fund equal to the amount disbursed by the Ohio Public Works Commission.
- **Auditor of State Bulletin 2011-004** states that committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The Village had a capital projects fund for cemetery land purchase and maintenance, which, according to a Village ordinance, received 25% of the proceeds from the sale of cemetery plots. This treatment meets the definition of committed fund balance, and a reclassification entry was made to reclassify the 2013 and 2012 year-end balances of \$81,307 and \$77,155, respectively, from restricted to committed fund balance.
- **Auditor of State Bulletin 2011-004** additionally states that when the appropriation measure is adopted for the subsequent year, and those appropriations exceed estimated receipts, the excess is assigned as it uses existing fund balance at year-end. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance. The Village failed to properly classify the amount by which temporary appropriations exceeded estimated receipts for the subsequent fiscal year in the amount of \$107,057 for 2013 and \$53,302 for 2012. These amounts should have been classified as assigned fund balance rather than unassigned fund balance in the General Fund.

The Village's accounting system has been adjusted for @ fund balance errors noted above.

The Village should review Auditor of State Bulletin 2011-04 and implement procedures to determine that all ending balances comply with its requirements. The Village should also utilize the Uniform Accounting Network Accounting & General Manual to determine proper classifications for receipts and disbursements.

FINDING NUMBER 2013-002

Material Weakness/Noncompliance

Ohio Rev. Code Section 5705.10(D) states, in part, that except as otherwise provided by resolution adopted pursuant to section 3315.01 of the Revised Code, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

Additionally, **Ohio Rev Code Section 727.01** states, in part, that each municipal corporation shall have special power to levy and collect special assessments. The legislative authority of a municipal corporation may assess upon the abutting, adjacent, and contiguous, or other specially benefited, lots or lands in the municipal corporation, any part of the cost connected with the improvement of any street, alley, dock, wharf, pier, public road, place, boulevard, parkway, or park entrance or an easement of the municipal corporation available for the purpose of the improvement to be made in it by grading, draining, curbing, paving, repaving, repairing, treating the surface with substances designed to lay the dust on it or preserve it, constructing sidewalks, piers, wharves, docks, retaining walls, sewers, sewage disposal works and treatment plants, sewage pumping stations, water treatment plants, water pumping stations, reservoirs, and water storage tanks or standpipes, together with the facilities and appurtenances necessary and proper therefore, drains, storm-water retention basins, watercourses, water mains, or laying of water pipe, or the lighting, sprinkling, sweeping, or cleaning thereof.

The Village recorded special assessment revenues and expenditures from the street lighting special assessments in the amounts of \$4,437 and \$4,049, respectively, in 2012 into the General Fund. However, as required above, all special assessments revenues and related expenditures should be recorded into a separate special revenue fund. Adjustments have been made to the accompanying financial statements and the Village's accounting ledgers.

The Village should implement procedures to verify that all revenues and related expenditures of the municipality are properly recorded into the correct fund classification. Failure to do so could result in material misstatements of the financial statements.

Officials' Response:

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

**VILLAGE OF CASSTOWN
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Rev. Code Section 5705.41(D)(1)	No	Partially corrected, repeated as Management Letter item.
2011-02	Ohio Rev. Code Section 5705.10(D) and Ohio Rev. Code Section 727.01	No	Repeated as Finding Number 2013-002
2011-03	Ohio Rev. Code Section 731.14	Yes	
2011-04	Financial Statement Reclassifications	No	Repeated as Finding Number 2013-001

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Dave Yost • Auditor of State

VILLAGE OF CASSTOWN

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 24, 2014**