



**CASS TOWNSHIP
RICHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Cass Township
Richland County
6622 Ganges Five Points Road
Shiloh, Ohio 44878

To the Board of Trustees:

We have audited the accompanying financial statements of Cass Township, Richland County, (the Township) as of and for the years ended December 31, 1999 and 1998. 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, 1999 and 1998, 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 March 15, 2000 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.

This report is intended solely for the information and use of 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

March 15, 2000

Cass Township

**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	\$11,815	\$105,298	\$117,113
Intergovernmental	32,142	60,026	92,168
Earnings on Investments	1,732	526	2,258
Miscellaneous	682	25,913	26,595
Total Cash Receipts	46,371	191,763	238,134
Cash Disbursements:			
Current:			
General Government	45,350		45,350
Public Safety		78,037	78,037
Public Works	2,000	63,909	65,909
Health		16,651	16,651
Miscellaneous		5,471	5,471
Capital Outlay	20,780	11,289	32,069
Total Cash Disbursements	68,130	175,357	243,487
Total Cash Receipts Over/(Under) Cash Disbursements	(21,759)	16,406	(5,353)
Other Financing Receipts:			
Other Sources		7,585	7,585
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(21,759)	23,991	2,232
Fund Cash Balances, January 1	44,922	102,561	147,483
Fund Cash Balances, December 31	\$23,163	\$126,552	\$149,715
Reserve for Encumbrances, December 31	\$0	\$15,942	\$15,942

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$12,053	\$101,982	\$114,035
Intergovernmental	53,561	59,528	113,089
Earnings on Investments	1,662	530	2,192
Miscellaneous	3,351	19,723	23,074
Total Cash Receipts	70,627	181,763	252,390
Cash Disbursements:			
Current:			
General Government	42,841		42,841
Public Safety		61,666	61,666
Public Works		58,634	58,634
Health		15,536	15,536
Miscellaneous		6,804	6,804
Capital Outlay		10,460	10,460
Total Cash Disbursements	42,841	153,100	195,941
Total Cash Receipts Over Cash Disbursements	27,786	28,663	56,449
Other Financing Receipts:			
Other Sources		6,215	6,215
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	27,786	34,878	62,664
Fund Cash Balances, January 1	17,136	67,683	84,819
Fund Cash Balances, December 31	\$44,922	\$102,561	\$147,483
Reserve for Encumbrances, December 31	\$0	\$7,647	\$7,647

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
NONEXPENDABLE TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

	1999	1998
Operating Cash Receipts:		
Interest	\$133	\$213
Fund Cash Balances, January 1	4,115	3,902
Fund Cash Balances, December 31	\$4,248	\$4,115
Reserve for Encumbrances, December 31	\$0	\$0

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Cass Township, Richland 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 cemetery maintenance.

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.

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

C. Cash and Investments

Certificates of deposit 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:

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:

Gasoline Tax Fund - This fund is used to account for gasoline tax revenues received and used to pay for repair and maintenance of Township roads and equipment.

Permissive Sales Tax Fund - This fund is used to account for sales tax revenues received and used to pay for repair and maintenance of Township roads and equipment.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a Nonexpendable Trust Fund. The Township had the following significant Nonexpendable Trust 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. 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.

During 1999 and 1998, the Township did not use the encumbrance method of accounting; however, the Township appropriately posted audit adjustments as reserves for encumbrances.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation and Sick Leave

The full-time employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

2. EQUITY IN POOLED CASH

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$151,363	\$148,998
Certificates of deposit	<u>2,600</u>	<u>2,600</u>
Total deposits	<u><u>\$153,963</u></u>	<u><u>\$151,598</u></u>

Deposits: Deposits are either 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 ended December 31, 1999 and 1998 was as follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,750	\$46,371	\$621
Special Revenue	165,030	199,348	34,318
Nonexpendable Trust	<u>175</u>	<u>133</u>	<u>(42)</u>
Total	<u><u>\$210,955</u></u>	<u><u>\$245,852</u></u>	<u><u>\$34,897</u></u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$90,671	\$68,130	\$22,541
Special Revenue	285,051	191,299	93,752
Nonexpendable Trust	<u>1,690</u>	<u>0</u>	<u>1,690</u>
Total	<u><u>\$377,412</u></u>	<u><u>\$259,429</u></u>	<u><u>\$117,983</u></u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,385	\$70,627	\$242
Special Revenue	192,585	187,978	(4,607)
Nonexpendable Trust	211	213	2
Total	\$263,181	\$258,818	(\$4,363)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$87,723	\$42,841	\$44,882
Special Revenue	260,266	160,747	99,519
Nonexpendable Trust	1,513	0	1,513
Total	\$349,502	\$203,588	\$145,914

4. NONCOMPLIANCE

Contrary to Ohio Rev. Code Section 5705.41 (D), the Township did not certify the availability of funds prior to entering into the commitment in 1999 and 1998.

Contrary to Ohio Admin. Code Section 117-3-11 (C), the Township did not use the encumbrance method of accounting.

Contrary to Ohio Admin. Code Section 117-3-05, the Township did not use purchase orders during 1999 and 1998.

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.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

6. RETIREMENT SYSTEM

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer pension 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 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public officials' liability

The Township also provides health insurance and dental coverage to full-time employees through a private carrier.



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

Cass Township
Richland County
6622 Ganges Five Points Road
Shiloh, Ohio 44878

To the Board of Trustees:

We have audited the accompanying financial statements of Cass Township, Richland County, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 15, 2000. 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 the 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-40570-001 through 1999-40570-003.

We also noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated March 15, 2000.

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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 judgment, 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 conditions are described in the accompanying Schedule of Findings as items 1999-40570-002 and 1999-40570-003.

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 over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the reportable conditions described above to be material weaknesses.

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 March 15, 2000.

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

March 15, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Noncompliance

Finding Number	1999-40570-001
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Ohio Rev. Code Section 5705.41(D) states, in part, that:

No subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

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

1. Then and Now Certificates - 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 contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

100% of the expenditures, contracts, and/or open purchase commitments tested were not properly certified by the Clerk prior to the obligation, commitment or expenditure. In addition, neither of the two exceptions specified in the statute were utilized. Failure to properly certify could result in making commitments in excess of available funds. The Township should establish procedures to ensure that all expenditures are certified prior to their obligation.

Noncompliance and Reportable Conditions

Finding Number	1999-40570-002
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Ohio Admin. Code Section 117-3-05, requires townships to use purchase orders. All purchase orders should contain the following information:

- A. All purchase orders should be numbered consecutively.
- B. Each purchase order should be made in triplicate. The original copy is to be filed with the township clerk to be used as posting media to encumber the line-item appropriation and then filed in numerical sequence. The second copy is to be given to the vendor, and the third copy is to be returned to the individual initiating the purchase order or requisition, as the case may be. This third copy will serve as a receiving report and should be returned to the clerk when the item(s) are received and verified. Finally, this copy will then be attached to the voucher along with the vendor invoice.

SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)

C. Each purchase order shall provide the following information:

- Purchase order number and the date;
- Requisition number, if applicable;
- Name of the township;
- Destination and method of shipment;
- Appropriation fund, code classification, and amount;
- Quantity, unit description, and cost;
- When applicable, the name and title of the person authorizing the purchase order;
- When applicable, the clerk's certificate as provided pursuant to Ohio Rev. Code Section 5705.413 and 5705.41(D); and,
- When applicable, pursuant to Ohio Rev. Code Section 5705.41, the name of the vendor;

D. When a blanket certification has been authorized, the purchase order should indicate the blanket certification, the effective date of the certification, and the amount.

The Township did not use purchase orders in 1999 and 1998. This condition could result in the Township incurring commitments without certification of available funds.

We recommend that the Township use purchase orders. This process will enable management to effectively monitor spending and assist the Board of Trustees when making management decisions.

Finding Number	1999-40570-003
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Ohio Admin. Code Section 117-3-11 (C) requires that each encumbrance be charged and posted against an appropriation account reducing the unencumbered balance appropriated for the account. Failure to properly encumber funds could result in the Township over-expending its appropriations.

For both 1999 and 1998, the Township did not use the encumbrance method of accounting as required by this section.

We recommend the Clerk use purchase orders to encumber funds and post encumbrances to the Township's ledgers which will enable management to effectively monitor spending and assist the Township with budget management decisions. Audit adjustments were posted to the Township's ledgers and are appropriately reflected in the audited financial statements as reserves for encumbrances.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
APRIL 11, 2000**