



Mary Taylor, CPA  
Auditor of State



VILLAGE OF CASSTOWN  
MIAMI COUNTY

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Mary Taylor, CPA  
Auditor of State

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 an 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 adverse 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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

May 10, 2010

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# Mary Taylor, CPA

Auditor of State

## 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, 2009 and 2008. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Casstown, Miami County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 May 10, 2010, 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.



**Mary Taylor, CPA**  
Auditor of State

May 10, 2010

**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, 2009**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$10,053	\$4,516			\$14,569
Intergovernmental	21,866	16,732			38,598
Special Assessments	4,594				4,594
Charges for Services		40,826	\$3,138		43,964
Fines, Licenses and Permits	3,078	395			3,473
Earnings on Investments	7,780	2,289		\$961	11,030
Total Cash Receipts	<u>47,371</u>	<u>64,758</u>	<u>3,138</u>	<u>961</u>	<u>116,228</u>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
Security of Persons and Property	9,972	5,470			15,442
Public Health Services		44,196	5,342	1,695	51,233
Leisure Time Activities	351				351
Transportation	4,773	5,174			9,947
General Government	19,213	60			19,273
Capital Outlay		5,000			5,000
Total Cash Disbursements	<u>34,309</u>	<u>59,900</u>	<u>5,342</u>	<u>1,695</u>	<u>101,246</u>
Total Receipts Over/(Under) Disbursements	<u>13,062</u>	<u>4,858</u>	<u>(2,204)</u>	<u>(734)</u>	<u>14,982</u>
Fund Cash Balances, January 1	<u>194,792</u>	<u>231,063</u>	<u>93,435</u>	<u>73,443</u>	<u>592,733</u>
Fund Cash Balances, December 31	<u>\$207,854</u>	<u>\$235,921</u>	<u>\$91,231</u>	<u>\$72,709</u>	<u>\$607,715</u>
Reserve for Encumbrances, December 31	<u>\$1,560</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,560</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 GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$9,807	\$4,536			\$14,343
Intergovernmental	24,029	15,487			39,516
Special Assessments	4,479				4,479
Charges for Services		46,514	\$3,124		49,638
Fines, Licenses and Permits	1,546	733			2,279
Earnings on Investments	15,120	5,245		\$3,832	24,197
Miscellaneous		17			17
<b>Total Cash Receipts</b>	<u>54,981</u>	<u>72,532</u>	<u>3,124</u>	<u>3,832</u>	<u>134,469</u>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
Security of Persons and Property	10,327	10,843			21,170
Public Health Services		36,708	7,864	1,726	46,298
Leisure Time Activities	100				100
Transportation	4,137	5,955			10,092
General Government	24,248				24,248
<b>Total Cash Disbursements</b>	<u>38,812</u>	<u>53,506</u>	<u>7,864</u>	<u>1,726</u>	<u>101,908</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>16,169</u>	<u>19,026</u>	<u>(4,740)</u>	<u>2,106</u>	<u>32,561</u>
<b>Other Financing Disbursements:</b>					
Other Financing Uses	(4,327)	(876)			(5,203)
<b>Total Other Financing Disbursements</b>	<u>(4,327)</u>	<u>(876)</u>			<u>(5,203)</u>
<b>Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	11,842	18,150	(4,740)	2,106	27,358
<b>Fund Cash Balances, January 1</b>	<u>182,950</u>	<u>212,913</u>	<u>98,175</u>	<u>71,337</u>	<u>565,375</u>
<b>Fund Cash Balances, December 31</b>	<u>\$194,792</u>	<u>\$231,063</u>	<u>\$93,435</u>	<u>\$73,443</u>	<u>\$592,733</u>
<b>Reserve for Encumbrances, December 31</b>	<u>\$2,414</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,414</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, 2009 AND 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of 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 general governmental operations 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 participates in the Public Entities Pool (PEP) public entity risk pool. Note 6 to the financial statements provides additional information on 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 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 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 highways that run through the Village.

**VILLAGE OF CASSTOWN  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

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

**Cemetery Operating Fund** – This fund receives charges to manage the cemetery.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through 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 acquisition and maintenance of cemetery land.

**4. Permanent Funds**

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

**Cemetery Endowment Fund** – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's 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 Village Council 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 Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for items that should have been encumbered.

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

**VILLAGE OF CASSTOWN  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

**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 DEPOSITS AND INVESTMENTS**

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

	<b>2009</b>	<b>2008</b>
Demand deposits	\$206,067	\$184,671
Certificates of deposit	401,648	408,062
Total deposits	\$607,715	\$592,733

**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, 2009 and 2008 follows:

<b>2009 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 55,803	\$ 47,371	(\$ 8,432)
Special Revenue	72,913	64,758	(8,155)
Capital Projects	3,000	3,138	138
Permanent	2,500	961	(1,539)
Total	\$134,216	\$116,228	(\$17,988)

<b>2009 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 88,402	\$ 35,869	\$ 52,533
Special Revenue	151,075	59,900	91,175
Capital Projects	37,500	5,342	32,158
Permanent	3,500	1,695	1,805
Total	\$280,477	\$102,806	\$177,671

**VILLAGE OF CASSTOWN  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

<b>2008 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 45,422	\$ 54,981	\$ 9,559
Special Revenue	63,718	72,532	8,814
Capital Projects	3,500	3,124	(376)
Permanent	2,000	3,832	1,832
Total	\$114,640	\$134,469	\$19,829

<b>2008 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 70,900	\$ 45,553	\$ 25,347
Special Revenue	115,500	54,382	61,118
Capital Projects	30,000	7,864	22,136
Permanent	2,500	1,726	774
Total	\$218,900	\$109,525	\$109,375

**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.

Public utilities are also taxed on personal and real property located within the Village. 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 Village.

**5. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid 91 percent of the contributions required as of December 31, 2009 and 100 percent for the year 2008.

**VILLAGE OF CASSTOWN  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(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.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), 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, 2008, PEP retained \$350,000 for casualty claims and \$100,000 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.

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

**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, 2008 and 2007 (the latest information available):

	<b>2008</b>	<b>2007</b>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$5,200.

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.

VILLAGE OF CASSTOWN  
MIAMI COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)

6. RISK MANAGEMENT (Continued)

<u>Contributions to PEP</u>	
2007	\$6,538
2008	4,788
2009	5,359

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they 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 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.



# Mary Taylor, CPA

Auditor of State

## 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, 2009 and 2008, and have issued our report thereon dated May 10, 2010, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect, and timely correct misstatements. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented or detected and timely corrected. We consider Findings 2009-002 and 2009-003 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, 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 10, 2010.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

May 10, 2010

**VILLAGE OF CASSTOWN  
MIAMI COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-001**

**Noncompliance – Certification of Availability of Funds was not Obtained Prior to Commitment**

**Ohio Rev. Code Section 5705.41(D)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contractor expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

- B. Blanket certificate** – Fiscal officers may prepare "blanket" certificates for a sum not exceeding an amount established by resolution or ordinance adopted by the members of the legislative authority, against any specific line item account, and not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- C. Super Blanket certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitments for 51 out of the 154 or 33 percent of the items tested. There was some evidence that the Village followed the aforementioned exceptions after the result of the prior years' audit, although, the exceptions were not always used. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

The Village should ensure that all expenditures have been encumbered before an order or contract has been made. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

**FINDING NUMBER 2009-001  
(Continued)**

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Village's Fiscal Officer certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, a "then and now" certification should be used.

The Village should ensure that when using a "then and now" certification, the Council approves all expenditures over \$3,000. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Village's Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Village's Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriations.

**FINDING NUMBER 2009-002**

**Material Weakness – Fund Type Reporting**

The financial statements did not reflect the proper fund type/fund classification of the Cemetery Land Purchase and Maintenance capital projects fund activity for 2009 and 2008. This required reclassification of all activity from a special revenue fund type to a capital projects fund type. The adjustment amounts to reclassify to the appropriate fund type was \$3,138 in revenue, \$5,342 in expenditures, and \$93,435 in beginning fund balance for 2009 and \$3,124 in revenue, \$7,864 in expenditures, and \$98,175 in beginning equity for 2008.

Failure to properly report fund type activity that results in an additional fund type also results in a material misstatement of the financial statements. The adjustments to properly reflect the Capital Project Fund has been made to the accompanying financial statements.

Procedures should be implemented to determine that all activity is posted to the appropriate fund and fund type to properly reflect the financial activity of the Village.

**FINDING NUMBER 2009-003**

**Material Weakness - Classification of Revenues and Expenditures**

During 2009 and 2008, personal property reimbursements, the \$10,000 personal property exemption, IRP excess, and homestead/rollback reimbursements were erroneously posted to the tax line item in the General fund, and the Street and the State Highway Special Revenue Funds. This required the reclassification of taxes and intergovernmental receipts to properly present the activity of the Village as follows:

- For 2009, \$2,196 in the General fund and \$1,011 in the Special Revenue funds were reclassified from taxes to intergovernmental.
- Also during 2009, expenditures were made for capital outlay that was reported as Other Financing Sources in the amount of \$5,000 for the Cemetery Operating Special Revenue Fund.
- For 2008, \$3,200 in the General fund was reclassified from taxes to intergovernmental.
- Also, during 2008, special assessment revenue was erroneously posted to intergovernmental revenue in the General fund in the amount of \$1,781.

The failure to follow the required UAN chart of accounts when coding revenue and expenditure activity could result in the material misstatement of the revenue and expenditure line items for reporting. The revenues and expenditures in the accompanying financial statements have been adjusted for the above.

The UAN chart of accounts should be reviewed when posting revenue and expenditure activity to determine which account code best represents the transaction.

**Official's Response:**

Officials did not respond to the findings noted above.

**VILLAGE OF CASSTOWN  
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2007-001	Performance of monthly bank reconciliations	Partially	Reported to management of the Village in a separate letter.
2007-002	Ohio Rev. Code Section 135.21 – proper allocation of interest earnings.	Yes	
2007-003	Ohio Rev. Code Section 5705.10 – posting of property taxes to the correct fund.	Yes	
2007-004	Ohio Rev. Code Section 9.38 – timely deposits.	Yes	
2007-005	Ohio Rev. Code Section 149.351 (A) – maintaining all supporting documentation (i.e. deposit slips, support for all expenditures)	Yes	
2007-006	Ohio Rev. Code Section 5705.41(B) – expenditures exceeding appropriations.	Yes	
2007-007	Ohio Rev. Code Section 5705.41(D) – entering into purchase obligations before certifying the availability of appropriations.	No	Repeated as Finding number 2009-001
2007-008	Ohio Admin Code Section 117-2-02(A) – inaccurate and incomplete cash journal, receipts ledger, appropriation ledger, payroll journal, and check register.	Partially	Reported to management of the Village in a separate letter.



**Mary Taylor, CPA**  
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  
JUNE 29, 2010**