



Dave Yost • Auditor of State

**CASS TOWNSHIP
MUSKINGUM COUNTY**

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Dave Yost • Auditor of State

Cass Township
Muskingum County
P.O. Box 372
Frazeyburg, Ohio 43822

To the Board of Trustees:

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 1, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Cass Township
Muskingum County
P.O. Box 372
Frazeytsburg, Ohio 43822-0372

To the Board of Trustees:

We have audited the accompanying financial statements of Cass Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009. 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 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 Township 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 Township 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(A) mandates 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 Township 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 require presenting entity-wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township 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 townships to reformat their statements. The Township 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, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, or 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 of Cass Township, Muskingum County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2011, 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 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.



Dave Yost
Auditor of State

September 1, 2011

**CASS TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$84,903	\$88,706	\$17,243	\$190,852
Intergovernmental	31,266	130,563		161,829
Earnings on Investments	843	83		926
Miscellaneous	11,168	16,030		27,198
	<u>128,180</u>	<u>235,382</u>	<u>17,243</u>	<u>380,805</u>
Cash Disbursements:				
Current:				
General Government	116,714	741		117,455
Public Safety		19,625		19,625
Public Works	2,038	201,611		203,649
Health	30,255			30,255
Capital Outlay	39,275	2,878		42,153
Debt Service:				
Redemption of Principal			16,400	16,400
Interest and Other Fiscal Charges			777	777
	<u>188,282</u>	<u>224,855</u>	<u>17,177</u>	<u>430,314</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(60,102)</u>	<u>10,527</u>	<u>66</u>	<u>(49,509)</u>
Other Financing Receipts:				
Other Financing Sources	287			287
	<u>287</u>	<u>0</u>	<u>0</u>	<u>287</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	(59,815)	10,527	66	(49,222)
Fund Cash Balances, January 1	196,204	443,170	0	639,374
Fund Cash Balances, December 31	<u>\$136,389</u>	<u>\$453,697</u>	<u>\$66</u>	<u>\$590,152</u>

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

**CASS TOWNSHIP
MUSKINGUM 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>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$86,446	\$90,290	\$17,955	\$194,691
Intergovernmental	36,243	98,139		134,382
Earnings on Investments	3,675	302		3,977
Miscellaneous	12,469	14,086		26,555
Total Cash Receipts	<u>138,833</u>	<u>202,817</u>	<u>17,955</u>	<u>359,605</u>
Cash Disbursements:				
Current:				
General Government	115,713	495		116,208
Public Safety		19,175		19,175
Public Works	94,363	119,146		213,509
Health	193			193
Capital Outlay		2,999		2,999
Debt Service:				
Redemption of Principal			16,400	16,400
Interest and Other Fiscal Charges			1,555	1,555
Total Cash Disbursements	<u>210,269</u>	<u>141,815</u>	<u>17,955</u>	<u>370,039</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(71,436)</u>	<u>61,002</u>	<u>0</u>	<u>(10,434)</u>
Other Financing Receipts (Disbursements):				
Transfers In			756	756
Transfers Out	(756)			(756)
Other Financing Sources	6,034			6,034
Total Other Financing Receipts	<u>5,278</u>	<u>0</u>	<u>756</u>	<u>6,034</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(66,158)	61,002	756	(4,400)
Fund Cash Balances, January 1	<u>262,362</u>	<u>382,168</u>	<u>(756)</u>	<u>643,774</u>
Fund Cash Balances, December 31	<u>\$196,204</u>	<u>\$443,170</u>	<u>\$0</u>	<u>\$639,374</u>

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

**CASS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 Cass Township, Muskingum County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Dresden to provide both fire services and ambulance services.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. OTARMA is a risk-sharing pool available to Ohio townships for insurance coverage. Note 7 to the financial statements provides additional information for this risk pool membership.

The Township's management believes these financial statements present all activities for which the Township 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 Township 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. 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**CASS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

Note Retirement Fund - This fund receives property tax money to retire notes issued for the purchase of a dump truck to be used for road maintenance.

D. Budgetary Process

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

1. Appropriations

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

3. Encumbrances

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**CASS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

The Township 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:

	2010	2009
Demand deposits	\$590,152	\$639,374

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$143,296	\$128,467	(\$14,829)
Special Revenue	169,951	235,382	65,431
Debt Service	17,177	17,243	66
Total	\$330,424	\$381,092	\$50,668

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$339,499	\$188,282	\$151,217
Special Revenue	613,121	224,855	388,266
Debt Service	17,177	17,177	0
Total	\$969,797	\$430,314	\$539,483

**CASS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$152,078	\$144,867	(\$7,211)
Special Revenue	141,720	202,817	61,097
Debt Service	17,955	18,711	756
Total	\$311,753	\$366,395	\$54,642

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$420,687	\$211,025	\$209,662
Special Revenue	516,885	141,815	375,070
Debt Service	17,955	17,955	0
Total	\$955,527	\$370,795	\$584,732

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees 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 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.

5. Debt

The Township issued general obligation notes to finance the purchase of a new dump truck and plowing equipment for Township road maintenance. The Township's taxing authority collateralized the notes. These notes were paid off in 2010. There is no debt outstanding at December 31, 2010.

**CASS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

7. Risk Management

Risk Pool Membership

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA 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 OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

OTARMA'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, 2010 and 2009:

**CASS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Risk Management (Continued)

Risk Pool Membership (Continued)

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$3,400.

Based on discussions with OTARMA, the expected rates OTARMA 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 OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2010</u>	<u>2009</u>
\$4,652	\$3,806

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA 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 the pool. 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.

8. Subsequent Events

On May 11, 2011, the Township financed a F450 truck with the loan amount being \$57,952. There will be five annual payments made on May 11 of each year starting on May 11, 2012 thru May 11, 2016.



Dave Yost • Auditor of State

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

Cass Township
Muskingum County
P.O. Box 372
Frazeesburg, Ohio 43822

To the Board of Trustees:

We have audited the financial statements of Cass Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated September 1, 2011, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township 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 Township 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(A) mandates 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 Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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 combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider significant deficiencies in internal control over financial reporting. We consider findings 2010-02 and 2010-03 to be significant deficiencies. 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.

Compliance and Other Matters

As part of reasonably assuring whether the Township'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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2010-01 and 2010-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 1, 2011.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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



Dave Yost
Auditor of State

September 1, 2011

**CASS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-01

Finding for Recovery

The Cass Township's Employee Policy Manual, adopted on December 8, 2000, governs overtime pay for the Township's employees. The Policy includes the following provisions:

- Eight (8) hours shall constitute a day's work and forty (40) hours shall constitute a week's work, consisting of five consecutive days per week, Monday through Friday, with a regular starting time. Payment for all hours worked in excess of eight (8) in any one work day shall be made at the rate of time and one-half. Payment for all hours worked in excess of forty (40) hours per week shall be made at the rate of time and one-half.
- The following holidays will be recognized and paid to the employee without work: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day and Christmas Day. Holiday pay shall be eight (8) hours pay per day. Employees that are required to work on a holiday as specified herein shall be compensated at the rate of time and one-half for all hours worked in addition to the holiday pay. In order to be entitled to holiday pay, an employee must have worked the last work day prior to and the first work day following the holiday, unless excused due to vacation, personal day, or sick day.
- Vacation pay will be paid on an hourly basis – eight (8) hours per day.

The Township had two employees during the audit period, Larry Albertson, road foreman, and Thomas Noland, road employee. One hundred percent of the employees' pay was charged to the Gasoline Tax Fund. Our review of employee timesheets and actual gross pay made to the employees revealed that the employees were not consistently paid in accordance with the policy. Our analysis of timesheets for the period January 1, 2009 through December 31, 2010 revealed that Mr. Albertson and Mr. Noland were overpaid in the amounts of \$1,383 and \$915, respectively. Our analysis identified the following exceptions, causing over and under payments to occur throughout 2009 and 2010, that contributed to the overall overpayment made to the employees:

1. All overtime hours were paid at a rate of 2.25, rather than at 1.5 as specified in the policy.
2. Time worked in excess of an eight hour day was not consistently awarded and paid as overtime.
3. Mr. Albertson and Mr. Noland worked 7.5 and 5 hours, respectively, on January 19, 2009, Martin Luther King Day, a holiday recognized by the Township. The employees did not receive holiday pay and were paid the time worked at their regular hourly pay rate instead of at the authorized overtime rate.
4. Hours documented on Mr. Albertson's timesheet for July 2009, February 2010, June 2010 and December 2010 supported additional hours of overtime worked that was not paid.
5. A total of 35 vacation hours used were documented on Mr. Noland's timesheet for November 2009. However, he was paid for 37 vacation hours and his vacation balance was reduced by 37 hours.

**CASS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-01 (Continued)

Finding for Recovery (Continued)

6. The Trustees authorized hourly pay increases of \$0.50 and \$0.25 to Mr. Albertson and Mr. Noland, respectively on March 3, 2010 retroactive to January 1, 2010. The retroactive pay increase for January and February was included on the employees' April 7, 2010 pay for March, and utilized total January and February hours that had been paid at the regular rate and the overtime rate. However, as noted above our testing identified that time worked in excess of eight hours was not always awarded as and paid as overtime. Therefore, the Fiscal Officer's calculations for the retroactive pay increase did not utilize the correct number of hours worked and/or leave used at the regular rate of pay or overtime hours paid at the overtime rate.

7. Additional hours were paid that were not documented as hours worked on the employees' timesheets.

The table below summarizes the total over/(under) payments for each reason listed above:

Reason for Over/(Under) Payment (# corresponds to reasons from above)	Albertson	Noland
1 – Overpayment for overtime hours paid at a rate of 2.25 instead of 1.5	\$2,450	\$1,082
2 – Underpayment due to time worked in excess of an eight hour day not paid as overtime	(262)	(142)
3 – Martin Luther King Day not paid as a holiday in January 2009 resulting in an underpayment	(148)	(129)
4 – Additional overtime hours worked but not paid resulting in an underpayment	(721)	0
5 – Overpayment due to 35 hours of vacation leave used but paid for 37 hours	0	25
6 – Calculations for retroactive pay increase was based on incorrect hours worked causing an underpayment	(18)	(1)
7 – Additional hours paid but not documented as worked on employees' timesheets resulting in an overpayment	<u>82</u>	<u>80</u>
Net Over/(Under) Payment	\$1,383	\$915

Mr. Noland's vacation balance should be adjusted for the two hours of vacation that were incorrectly deducted from his balance and paid for the November 2009 pay.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Larry Albertson, Township Road Foreman, and Ohio Township Association Risk Management Authority, his bonding company, jointly and severally, in the amount of \$1,383, and Thomas Noland, Township Road Employee, and Ohio Township Association Risk Management Authority, his bonding company, jointly and severally, in the amount of \$915, and in favor of Cass Township, Muskingum County, Gasoline Tax Fund.

**CASS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-01 (Continued)

Finding for Recovery (Continued)

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

Accordingly, a Finding for Recovery is hereby issued against Yvonne Sidwell, Fiscal Officer, and her bonding company, Travelers Casualty and Surety Company of America, jointly and severally in the total amount of \$2,298 and in favor of Cass Township’s Gasoline Tax Fund to the extent that recovery or resolution is not obtained from Larry Albertson or Thomas Noland or their bonding companies.

Officials’ Response: Road Employee Overtime Reimbursement to be repaid to the Township by the road employees, respectively Larry Albertson \$1,383; Thomas Noland \$915, to the Township Gasoline Tax Revenue Fund by payroll deduction to be repaid over a period of twenty-four (24) consecutive months in equal installments. Road Employee Vacation Adjustment to be reallocated for two (2) days to Thomas Noland for the period November 2009, as earned. Thoroughly review and approve all employee time rates and hours worked to verify accuracy by having the Fiscal Officer manually calculate payroll in comparison to the UAN automated system for accuracy.

FINDING NUMBER 2010-02

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.10(D) states, in part, that 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 purposes.

In 2009, the Township received a Statement of Annual Apportionment of Enterprise Zone Compensation settlement with the source of receipts from AEP Generating. The Fiscal Officer posted the Fire Levy Fund portion of \$3,723 to the Miscellaneous Special Revenue Fund as Intergovernmental Receipts: Other State Receipts; however, it should have been posted to the Fire Levy Fund Miscellaneous Receipts: Payments in Lieu of Taxes.

In 2010, the Township received \$30,000 in CDBG grant monies to be utilized for road resurfacing. The Fiscal Officer posted the receipt to the General Fund Other Financing Sources; however, the receipt should have been posted to the Miscellaneous Special Revenue Fund as Intergovernmental Revenue: Other Federal Receipts. The related disbursement of \$30,000 for the road resurfacing was posted to the General Fund as a General Government: Operating Supplies Disbursement. However, the disbursement should have been posted to the Miscellaneous Special Revenue Fund Public Works: Contracted Services Disbursement.

**CASS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-02 (Continued)

Noncompliance Citation/Significant Deficiency (Continued)

The Township made these adjustments to their accounting system. Also, these adjustments are reflected in the financial statements.

We recommend the Fiscal Officer review fund and account postings to ensure the accuracy and completeness of amounts posted to the accounting system.

Officials' Response: Provide that the Fiscal Officer be enabled to attend Public Employee Training Seminars for continuing education to enhance appropriate postings of revenues not ordinarily receipted by the Township (i.e., CDBG Funding).

FINDING NUMBER 2010-03

Significant Deficiency

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

In 2010, the following misposting was made by the Fiscal Officer:

- The Township received a Statement of Annual Apportionment of Enterprise Zone Compensation settlement with the source of receipts from AEP Generating in the amount of \$24,197. The Fiscal Officer posted these receipts to Intergovernmental Revenue: Non-State/Federal in the General Fund and to Intergovernmental Revenue: Other State Receipts in the Road and Bridge and Fire Levy Special Revenue Funds; however, the receipts should have been posted to Miscellaneous Revenue: Payment in Lieu of Taxes.

In 2009, the following mispostings were made by the Fiscal Officer:

- The Township received a Statement of Annual Apportionment of Enterprise Zone Compensation settlement with the source of receipts from AEP Generating in the amount of \$24,197. The Fiscal Officer posted the General Fund portion to Intergovernmental Revenue: Non-State/Federal and the Road and Bridge portion to Intergovernmental Revenue: Other State Receipts; however, the receipts should have been posted to Miscellaneous Receipts: Payment in Lieu of Taxes.
- The Fiscal Officer posted real property rollback monies in the amount of \$5,957 to General Fund Property and Other Local Taxes: General Property Tax - Real Estate; however, it should have been posted to the General Fund as Intergovernmental Revenue: Property Tax Allocation.

Several receipt accounts were misstated due to errors in posting. These posting errors resulted in reclassifications being made to the financial statements to ensure accurate presentation.

**CASS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2010-03 (Continued)

Significant Deficiency (Continued)

We recommend the Fiscal Officer review guidance within the Uniform Accounting Network Accounting Manual under "Township Chart of Accounts". This guidance will allow the Fiscal Officer to make proper postings to account classifications based on the source of the receipt.

Officials' Response: Provide that the Fiscal Officer be enabled to attend Public Employee Training Seminars for continuing education to enhance appropriate postings of revenues not ordinarily receipted by the Township.

**CASS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Rev. Code Section 5705.10(D) – Revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, were paid into the incorrect fund.	No	Not Corrected; repeated as Finding Number 2010-02 in the current Schedule of Findings.



Dave Yost • Auditor of State

CASS TOWNSHIP

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 6, 2011**