



Dave Yost • Auditor of State

VILLAGE OF CASSTOWN
MIAMI COUNTY

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Dave Yost • Auditor of State

ACCOUNTANTS' REPORT

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

To the Village Council:

We have selectively tested certain accounts, financial records, files and reports of the Village of Casstown, Miami County, (the Village) as of and for the years ended December 31, 2011 and 2010 following Ohio Admin. Code §117-4-02.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

We intend this report solely for the information and use of the management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code and it is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

September 11, 2012

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**VILLAGE OF CASSTOWN
MIAMI COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$9,811	\$4,376		\$14,187
Intergovernmental	21,849	31,477	\$1,127,595	1,180,921
Special Assessments		4,501		4,501
Charges for Services	780	43,846	3,238	47,864
Fines, Licenses and Permits	1,878			1,878
Earnings on Investments	459	138		597
Miscellaneous	1,000	50		1,050
Total Cash Receipts	<u>35,777</u>	<u>84,388</u>	<u>1,130,833</u>	<u>1,250,998</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	8,301	9,656		17,957
Public Health Services		41,529		41,529
Leisure Time Activities	544			544
Transportation	6,022	17,594		23,616
General Government	16,740			16,740
Capital Outlay			1,337,482	1,337,482
Total Cash Disbursements	<u>31,607</u>	<u>68,779</u>	<u>1,337,482</u>	<u>1,437,868</u>
Excess of Receipts Over (Under) Disbursements	<u>4,170</u>	<u>15,609</u>	<u>(206,649)</u>	<u>(186,870)</u>
Other Financing Receipts (Disbursements):				
Other Debt Proceeds			198,492	198,492
Other Financing Uses		(4,655)		(4,655)
Total Other Financing Receipts (Disbursements)		<u>(4,655)</u>	<u>198,492</u>	<u>193,837</u>
Net Change in Fund Cash Balances	4,170	10,954	(8,157)	6,967
Fund Cash Balances, January 1	<u>206,498</u>	<u>213,233</u>	<u>81,722</u>	<u>501,453</u>
Fund Cash Balances, December 31:				
Restricted		224,187	73,565	297,752
Unassigned (Deficit)	210,668			210,668
Fund Cash Balances, December 31	<u>\$210,668</u>	<u>\$224,187</u>	<u>\$73,565</u>	<u>\$508,420</u>

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

VILLAGE OF CASSTOWN
MIAMI COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE (CASH BASIS)
PRIVATE PURPOSE TRUST
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Private Purpose Trust</u>
Operating Cash Receipts:	
Earnings on Investments (trust funds only)	\$84
Total Operating Cash Receipts	<u>84</u>
Operating Cash Disbursements:	
Supplies and Materials	1,732
Total Operating Cash Disbursements	<u>1,732</u>
Net Change in Fund Cash Balances	(1,648)
Fund Cash Balances, January 1	<u>72,028</u>
Fund Cash Balances, December 31	<u><u>\$70,380</u></u>

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

**VILLAGE OF CASSTOWN
MIAMI COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$10,397	\$4,619		\$15,016
Intergovernmental	21,931	16,373	\$36,841	75,145
Special Assessments		4,746		4,746
Charges for Services		46,839	4,400	51,239
Fines, Licenses and Permits	2,103			2,103
Earnings on Investments	1,391	220		1,611
Miscellaneous	40			40
Total Cash Receipts	<u>35,862</u>	<u>72,797</u>	<u>41,241</u>	<u>149,900</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	5,676	8,898		14,574
Public Health Services		37,877	13,910	51,787
Leisure Time Activities	107			107
Transportation	4,196	47,762		51,958
General Government	25,192	892		26,084
Capital Outlay			36,840	36,840
Total Cash Disbursements	<u>35,171</u>	<u>95,429</u>	<u>50,750</u>	<u>181,350</u>
Total Receipts Over/(Under) Disbursements	<u>691</u>	<u>(22,632)</u>	<u>(9,509)</u>	<u>(31,450)</u>
Fund Cash Balances, January 1	<u>207,854</u>	<u>235,921</u>	<u>91,231</u>	<u>535,006</u>
Fund Cash Balances, December 31	<u>\$208,545</u>	<u>\$213,289</u>	<u>\$81,722</u>	<u>\$503,556</u>
Reserve for Encumbrances, December 31	<u>\$999</u>	<u>\$6,903</u>	<u>\$0</u>	<u>\$7,902</u>

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

VILLAGE OF CASSTOWN
MIAMI COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGE IN FUND CASH BALANCE
PRIVATE PURPOSE TRUST
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Private Purpose Trust</u>
Operating Cash Receipts:	
Earnings on Investments (trust funds only)	\$1,031
Total Operating Cash Receipts	<u>1,031</u>
Operating Cash Disbursements:	
Supplies and Materials	1,712
Total Operating Cash Disbursements	<u>1,712</u>
Net Change in Fund Cash Balances	(681)
Fund Cash Balances, January 1	<u>72,709</u>
Fund Cash Balances, December 31	<u><u>\$72,028</u></u>

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

**VILLAGE OF CASSTOWN
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village participates in the Public Entities Pool of Ohio (PEP). Note 8 to the financial statements provides additional information for these entities.

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

B. Accounting Basis

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

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

C. Deposits

The Village's cash is deposited in a checking and savings accounts, and Certificate of Deposits which are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF CASSTOWN
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 enterprise or trust funds). The Village had the following significant capital project funds:

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.

CDBG Grant Fund – This fund receives proceeds from the Community Development Block Grant funding. The proceeds are being used for the park project

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

4. Fiduciary Funds

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

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

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF CASSTOWN
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

**VILLAGE OF CASSTOWN
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property, Plant, and Equipment

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

2. RESTATEMENT OF FUND BALANCE

For fiscal year 2011, the Village restated beginning fund balance for accounting corrections for the following;

	<u>Fund Balance at December 31, 2010</u>	<u>Accounting Correction</u>	<u>Adjusted Fund Balance at January 1, 2011</u>
General	\$208,545	(\$2,047)	\$206,498
Special Revenue	\$213,289	(56)	\$213,233

3. EQUITY IN POOLED DEPOSITS

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

	<u>2011</u>	<u>2010</u>
Demand deposits	(\$ 6,405)	\$ 25,270
Certificates of deposit	331,214	400,060
Other time deposits (savings and NOW accounts)	253,991	150,254
Total deposits	<u>\$578,800</u>	<u>\$575,584</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

<u>2011 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 40,017	\$ 35,777	(\$ 4,240)
Special Revenue	77,661	84,388	6,727
Capital Projects	1,835,238	1,329,325	(505,913)
Trust	70	84	14
Total	<u>\$1,952,986</u>	<u>\$1,449,574</u>	<u>(\$503,412)</u>

<u>2011 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 120,102	\$ 33,015	\$ 87,087
Special Revenue	112,925	84,612	28,313
Capital Projects	1,853,000	1,337,482	515,518
Trust	5,000	1,732	3,268
Total	<u>\$2,091,027</u>	<u>\$1,456,841</u>	<u>\$634,186</u>

**VILLAGE OF CASSTOWN
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 55,692	\$ 35,862	(\$ 19,830)
Special Revenue	92,495	72,797	(19,698)
Capital Projects	376,501	41,241	(335,260)
Trust	4,000	1,031	(2,969)
Total	\$528,688	\$150,931	(\$377,757)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$122,402	\$ 36,170	\$ 86,232
Special Revenue	149,484	102,332	47,152
Capital Projects	406,500	50,750	355,750
Trust	5,000	1,712	3,288
Total	\$683,386	\$190,964	\$492,422

5. 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.

6. DEBT

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$198,492	0%
Total	\$198,492	

The Ohio Public Works Commission (OPWC) loan relates to the main street (state route 55) reconstruction. The Village will repay the loans in semiannual installments of \$4,962 over 20 years. The scheduled payment amount below assumes that \$198,492 will be borrowed. The OPWC will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows.

**VILLAGE OF CASSTOWN
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year ending December 31:</u>	<u>OPWC Loan</u>
2012	\$ 4,963
2013	9,925
2014	9,925
2015	9,925
2016	9,925
2017-2021	49,621
2022-2026	49,625
2026-2031	49,621
2032	4,962
Total	<u>\$198,492</u>

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

8. 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, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

**VILLAGE OF CASSTOWN
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. RISK MANAGEMENT (Continued)

B. Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	(14,320,812)	(15,256,862)
Net Assets	<u>\$20,631,198</u>	<u>\$21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 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 Village's share of these unpaid claims collectible in future years is approximately \$7,000.

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

<u>Contributions to PEP</u>
<u>2011</u>
\$7,004

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

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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Dave Yost • Auditor of State

ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

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

To the Village Council:

We have selectively tested certain accounts, financial records, files and reports of Village of Casstown, Miami County, (the Village) as of and for the years ended December 31, 2011 and 2010 following the Ohio Admin. Code §117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

Internal Control over Financial Reporting

During our procedures related to the internal control over financial reporting, we noted matters that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the Schedule of Findings as items 2011-02 and 2011-04.

Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contract, and grant agreements applicable to the Village. Noncompliance with these requirements could impact the Village's ability to determine financials statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying schedule of findings as items 2011-01 through 2011-03.

We did note certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 11, 2012.

We intend this report solely for the information and use of the management, the Village Council, other officials authorized to receive this report under Section 117.26, Ohio Rev. Code, and others within the Village. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

September 11, 2012

**VILLAGE OF CASSTOWN
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

Noncompliance

Ohio Rev. Code Section 5705.41(D)(1) states 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. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 the 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 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 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 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 certain sum of money not to excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal. 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 contract 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. The certification is not to extend 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 commitment for 5 out of 19 expenditures tested, or 26.3%, and the exception listed above, super blanket purchase order was used however, not prior to the expenditure being incurred. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances. Additionally, the Village Council has not established by resolution or ordinance a certain amount for Blanket Certificates.

**FINDING NUMBER 2011-01
(Continued)**

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

FINDING NUMBER 2011-02

Noncompliance/Internal Control

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

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

The Village recorded special assessment revenues and expenditures from the street lighting special assessments in the amounts of \$4,501 and \$4,262 in 2011 and \$4,746 and \$4,306 in 2010 into the general fund, however in accordance with the aforementioned code section all special assessments revenues and related expenditures should be recorded into a separate special revenue fund. Adjustments have been made to the accompanying financial statements and the accounting ledgers of the Village.

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

FINDING NUMBER 2011-03

Noncompliance

Ohio Rev. Code Section 731.14 states, in part, that when any expenditure, other than the compensation of persons employed in the village, exceeds twenty five thousand dollars (fifty thousand dollars effective September 29, 2011), such contracts shall be in writing and made with the lowest and best bidder after advertising once a week for not less than two consecutive weeks in a newspaper of general circulation within the village. The legislative authority may also cause notice to be inserted in trade papers or other publications designated by it or to be distributed by electronic means, including posting the notice on the legislative authority's internet web site. If the legislative authority posts the notice on its web site, it may eliminate the second notice otherwise required to be published in a newspaper of general circulation within the village, provided that the first notice published in such newspaper meets all of the following requirements:

**FINDING NUMBER 2011-03
(Continued)**

- (A) It is published at least two weeks before the opening of bids.
- (B) It includes a statement that the notice is posted on the legislative authority's internet website.
- (C) It includes the internet address of the legislative authority's internet web site.
- (D) It includes instructions describing how the notice may be accessed on the legislative authority's internet web site.

The Village failed to properly advertise the bidding for the Franklin street resurfacing project, which was approved on May 5, 2010 in the amount of \$41,000. The Village should implement procedures to verify that all projects exceeding twenty five thousand dollars (fifty thousand dollars effective September 29, 2011) are advertised in a local newspaper prior to the acceptance of a contract. Failure to advertise for such projects could result in the Village not receiving the lowest and best possible bid for a project.

FINDING NUMBER 2011-04

Internal Control – Financial Statement Reclassifications

The Village prepared its annual financial statements in accordance with accounting practices the Auditor of State prescribes or permits. The Village's Annual Financial Report for 2011 and 2010 contained errors which resulted in reclassifications to correctly report the financial activity during and at the end of the periods as follows:

- The Village received loans from the Ohio Public Works Commission (OPWC) in 2011 in the amount of \$198,492, which represents 15% of total revenues. This amount was posted as intergovernmental revenue and should have been posted as other debt proceeds. The accompanying financial statements have been adjusted for this reclassification.
- The Village failed to properly classify outstanding encumbrances in the general fund in the amount of \$1,408 as assigned fund balance rather than unassigned fund balance. The accompanying financial statements have not been adjusted for this error.

The Village should implement procedures to review the revenue account coding system prior to completion of the financial statements to verify that all account line items roll into the proper financial statement line items and correct fund groupings according to the Village chart of accounts.

Official's Response: Village Officials declined to respond to the findings reported above.

**VILLAGE OF CASSTOWN
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 5705.41(D)	No	Repeated as Finding 2011-01
2009-002	Material Weakness - Fund Type Reporting	No	Repeated as Finding 2011-02
2009-003	Material Weakness - Classification of Revenues and Expenditures	No	Repeated as Finding 2011-04



Dave Yost • Auditor of State

VILLAGE OF CASSTOWN

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 02, 2012**