

**CANTON TOWNSHIP, OHIO  
STARK COUNTY**

**INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND DECEMBER 31, 2004**

Varney, Fink & Associates, Inc.  
Certified Public Accountants





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Canton Township  
4711 Central Avenue SE  
Canton, Ohio 44707

We have reviewed the *Independent Auditor's Report* of Canton Township, Stark County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

## **Finding for Recovery:**

The accounting firm's testing revealed the annual salary of a Township Clerk in 2004 for a Township with a budget of \$3,500,001 to \$6,000,000 per Ohio Revised Code Section 507.09 should be \$19,245 (or \$1,603.75 per month). Review of payroll records for Sheri Griffith, former Township Clerk, and the 2004 W-2 indicated payments of \$5,434.80 (or \$1,811.60 per month for 3 months). As a result, an overpayment of \$623.55 occurred.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended has been issued against Sheri Griffith, former Township Clerk, and Ohio Government Risk Management Plan, her bonding company, jointly and severally, in the amount of \$623.55 and in favor of Canton Township's General Fund.

**Finding for Recovery Repaid Under Audit**

The accounting firm's testing revealed the Township Trustees approved Fire Chief Bernard McKibben's annual salary at \$53,025 beginning July 1, 2003; \$55,676 beginning July 1, 2004; and \$58,460 beginning July 1, 2005. Total pay for 2004 should have been \$54,350.50 (\$26,512.50 from 2003 salary and \$27,838 from 2004 salary). The total amount paid per the 2004 W-2 was \$55,629.68. As a result, an overpayment of \$1,279.18 occurred for 2004. Total pay for 2005 should have been \$57,068 (\$27,838 from 2004 salary and \$29,230 from 2005 salary). The total amount paid per the 2005 W-2 was \$58,826.81. As a result an overpayment of \$1,758.81 occurred for 2005.

<u>Date</u>	<u>Approved Salary</u>	<u>Half Salary</u>
July 1, 2003	\$53,025	\$26,512.50
July 1, 2004	55,676	27,838.00
Total		<u>\$54,350.50</u>
Amount Paid		55,629.68
Overpayment		<u>1,279.18</u>
July 1, 2004	\$55,676	\$27,838.00
July 1, 2005	58,460	29,230.00
Total		<u>\$57,068.00</u>
Amount Paid		58,826.81
Overpayment		<u>1,758.81</u>

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended has been issued against Bernard S. McKibben, Fire Chief, in the amount of \$3,037.99 and in favor of Canton Township's Fire Levy Fund.

Based on Canton Township resolution 12-01-08 and agreement between Canton Township and Bernard Scott McKibben, the finding for recovery has been repaid by Canton Township deducting 123.61 hours of sick time at an hourly rate of \$24.57 from Bernard S. McKibben's December 30, 2008 paycheck.

**Finding for Recovery Repaid Under Audit**

The accounting firm's testing revealed for the pay period ended July 4, 2004 Jonathan Peters worked 30.19 hours at a part time basic firefighter/EMT rate of pay of \$9.20/hour. The gross pay should have been \$277.75; however, the gross pay per the payroll register was \$477.75 resulting in an overpayment of \$200.00.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended has been issued against Jonathan R. Peters in the amount of \$200.00 and in favor of Canton Township's Fire Levy Fund.

Based on Canton Township resolution 12-01-08 and agreement between Canton Township and Jonathan R. Peters, the finding for recovery has been repaid by Canton Township deducting 16.46 hours of sick time at an hourly rate of \$12.15 from Jonathan R. Peters' December 30, 2008 paycheck.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Canton Township is responsible for compliance with these laws and regulations.



Mary Taylor, CPA  
Auditor of State

March 25, 2009

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**CANTON TOWNSHIP, OHIO  
STARK COUNTY  
FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND DECEMBER 31, 2004**

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**INDEPENDENT AUDITOR'S OPINION**

Canton Township Trustees  
4711 Central Avenue, SE  
Canton, Ohio 44707

To the Board of Trustees:

We were engaged to audit the accompanying financial statements of Canton Township, Stark County, Ohio, (the Township) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management.

The Townships fund balances at January 1, 2004, stated at \$75,749 for the General Fund, \$723,098 for Special Revenue Funds and \$2,259 for the Capital Project Fund do not agree with the 2003 audited fund balances of (\$29,929) for the General Fund and \$832,855 for Special Revenue Funds. There was no presentation for Capital Project Funds for 2003. The Fund balances at December 31, 2004 stated at (\$55,812) for the General Fund, \$827,367 for the Special Revenue Funds and \$0.00 for the Capital Project Fund do not agree with the fund balances at January 1, 2005 stated at \$53,708 for the General Fund, \$714,636 for the Special Revenue Funds and \$2,259 for the Capital Project Fund. Sufficient documentation supporting the differences is not available.

Miscellaneous Receipts stated at (\$93,708) for the General Fund and \$307,605 for Special Revenue Funds for 2004 and (\$88,075) for the General Fund and \$223,295 for Special Revenue Funds for 2005 do not have sufficient supporting documentation supporting the activity.

Since the Township was unable to provide supporting documentation to support Miscellaneous Receipts and Cash Balances and we were not able to apply other auditing procedures to satisfy ourselves as to Miscellaneous Receipts and Cash Balances, the scope of our work was not sufficient to enable us to express, and we do-not express, and opinion on these financial statements.

*Varney, Fink & Associates*

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

June 3, 2008



**Canton Township, Stark County**  
*Combined Statement of Receipts, Disbursements and Changes in Fund Balances*  
*Governmental Fund Types*  
*For the Year Ended December 31, 2005*

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Receipts</b>				
Property Taxes	\$206,957	\$2,373,753	\$0	\$2,580,710
Charges for Services	0	113,079	0	113,079
Intergovernmental Receipts	345,424	673,187	0	1,018,611
Fines, Licenses, and Permits	0	19,738	0	19,738
Special Assessments	0	59,126	0	59,126
Interest	7,402	458	0	7,860
Miscellaneous	(88,075)	223,295	0	135,220
<i>Total Receipts</i>	<u>471,708</u>	<u>3,462,636</u>	<u>0</u>	<u>3,934,344</u>
<b>Disbursements</b>				
<b>Current</b>				
Security of Persons and Property	7,488	2,068,746	0	2,076,234
Leisure Time Activities	0	5,520	0	5,520
Community Environment	101,852	24,972	0	126,824
Transportation	98,661	1,147,283	0	1,245,944
General Government	253,867	0	0	253,867
Principal Retirement	0	90,987	0	90,987
Interest & Fiscal Charges	0	10,324	0	10,324
<i>Total Disbursements</i>	<u>461,868</u>	<u>3,347,832</u>	<u>0</u>	<u>3,809,700</u>
<i>Excess of Receipts Under Disbursements</i>	<u>9,840</u>	<u>114,804</u>	<u>0</u>	<u>124,644</u>
<b>Other Financing Sources (Uses)</b>				
Transfers-In	0	16,859	0	16,859
Transfers-Out	(10,000)	0	0	(10,000)
Advances-In	0	287	0	287
Other Financing Use	0		(2,259)	(2,259)
<i>Total Other Financing Sources (Uses)</i>	<u>(10,000)</u>	<u>17,146</u>	<u>(2,259)</u>	<u>4,887</u>
<i>Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</i>	<u>(160)</u>	<u>131,950</u>	<u>(2,259)</u>	<u>129,531</u>
<i>Fund Cash Balance (Deficit), January 1, 2005</i>	<u>53,708</u>	<u>714,636</u>	<u>2,259</u>	<u>770,603</u>
<i>Fund Cash Balance, December 31, 2005</i>	<u><u>\$53,548</u></u>	<u><u>\$846,586</u></u>	<u><u>\$0</u></u>	<u><u>\$900,134</u></u>

The accompanying notes are an integral part of the financial statements.

**Canton Township, Stark County**  
*Combined Statement of Receipts, Disbursements and Changes in Fund Balances*  
*Governmental Fund Types*  
*For the Year Ended December 31, 2004*

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Receipts</b>				
Property Taxes	\$189,455	\$2,191,567	\$0	\$2,381,022
Charges for Services	0	107,134	0	107,134
Intergovernmental Receipts	253,207	311,136	0	564,343
Fines, Licenses, and Permits	0	17,908	0	17,908
Special Assessments	0	60,533	0	60,533
Interest	6,010	1,901	0	7,911
Miscellaneous	(93,708)	309,864	(2,259)	213,897
<i>Total Receipts</i>	<u>354,964</u>	<u>3,000,043</u>	<u>(2,259)</u>	<u>3,352,748</u>
<b>Disbursements</b>				
Current				
Security of Persons and Property	9,584	1,825,747	0	1,835,331
Leisure Time Activities	0	3,772	0	3,772
Community Environment	58,350	23,426	0	81,776
Transportation	82,241	913,177	0	995,418
General Government	339,116	0	0	339,116
Principal Retirement	0	107,571	0	107,571
Interest & Fiscal Charges	0	19,315	0	19,315
<i>Total Disbursements</i>	<u>489,291</u>	<u>2,893,008</u>	<u>0</u>	<u>3,382,299</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(134,327)</u>	<u>107,035</u>	<u>(2,259)</u>	<u>(29,551)</u>
<b>Other Financing Sources (Uses)</b>				
Advances-In	2,766	0	0	2,766
Advances-Out	0	(2,766)	0	(2,766)
<i>Total Other Financing Sources (Uses)</i>	<u>2,766</u>	<u>(2,766)</u>	<u>0</u>	<u>0</u>
<i>Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</i>	<u>(131,561)</u>	<u>104,269</u>	<u>(2,259)</u>	<u>(29,551)</u>
<i>Fund Cash Balance (Deficit), January 1, 2004</i>	<u>75,749</u>	<u>723,098</u>	<u>2,259</u>	<u>801,106</u>
<i>Fund Cash Balance, December 31, 2004</i>	<u>(\$55,812)</u>	<u>\$827,367</u>	<u>\$0</u>	<u>\$771,555</u>

The accompanying notes are an integral part of the financial statements.

**CANTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Canton Township, Stark County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, fire protection and ambulance services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

The Township deposits cash in a checking account.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

**CANTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

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

Motor Vehicle License Tax Fund - This fund receives State motor vehicle license 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.

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

Fire District Tax Fund - This fund receives property tax levy revenues to operate the fire department.

Fire Special Levy Tax Fund - This fund receives property tax levy revenues to purchase and maintain fire department equipment.

Ambulance and Emergency Medical Fund - This fund receives charges for services to provide ambulance and emergency medical services.

Lighting Assessment Fund - This fund receives special assessment revenues to provide street lighting.

Permissive Motor Vehicle License Fund - This fund receives permissive motor vehicle taxes to maintain and repair Township roads and bridges.

**3. Capital Projects Funds**

The Capital Projects Funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**CANTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

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

**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 also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not encumber all commitments required by Ohio law.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**F. Property Plant and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2005</u>	<u>2004</u>
Demand Deposits	\$900,134	\$771,555

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institutions public entity deposit pool.

**CANTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$632,079	\$471,708	(\$160,371)
Special Revenue	3,643,598	3,479,495	(164,103)
Capital Projects	0	0	0
Total	\$4,275,677	\$3,951,203	(\$324,474)

2005 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$567,820	\$471,868	\$95,952
Special Revenue	3,475,779	3,347,832	127,947
Capital Projects	2,259	2,259	0
Total	\$4,045,858	\$3,821,959	\$223,899

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$572,600	\$354,964	(\$217,636)
Special Revenue	2,647,732	3,000,043	352,311
Capital Projects	1,200,000	0	(1,200,000)
Total	\$4,420,332	\$3,355,007	(\$1,065,325)

2004 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$801,765	\$489,291	\$312,474
Special Revenue	3,361,344	2,893,008	468,336
Capital Projects	503,000	2,259	500,741
Total	\$4,666,109	\$3,384,558	\$1,281,551

**4. NONCOMPLIANCE**

Contrary to Ohio Rev. Code Section 5705.41(D), the Township did not always certify the availability of funds prior to the obligation of expenditures.

**CANTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**4. NONCOMPLIANCE (Continued)**

Contrary to Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriation authority by the following:

<u>Fund</u>	<u>As of 12/31/2004</u>	<u>As of 12/31/2005</u>
Motor Vehicle Tax	\$1,826	\$0
Gasoline Tax	35,351	0
Permissive Tax	40,424	0
Fire Loss	8,000	0
Road & Bridge	0	20,677
Park Fund	0	1,072
FEMA Grant	0	267,124

Contrary to Ohio Rev. Code Section 5705.10, for year ended December 31, 2004, the General Fund had a deficit fund balance of \$55,812. For the year ended December 31, 2005, the Special Revenue Motor Vehicle License Tax Fund had a deficit fund balance of \$26,094 and the Capital Project Faircrest Issue II had a deficit fund balance of \$2,259.

Contrary to Ohio Rev. Code Section 5705.39, total appropriations exceeded total estimated resources at December 31, 2004, in the following Special Revenue Funds: Road and Bridge, Fire District, Zoning, Park, Recycling, and in the General Fund. In addition, the Township did not always obtain certificates from the County Auditor that appropriations from each fund did not exceed the total Amended Official Estimate of Resources for certain appropriation and estimated resource amendments.

Contrary to Ohio Rev. Code Section 149.351, requires that public records not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for the Ohio Rev. Code Sections 148.38 to 149.42. Several public records were not on file and could not be located by Township personnel.

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

**CANTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**5. PROPERTY TAX (Continued)**

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.

**6. RETIREMENT SYSTEMS**

The Township's certified Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

**7. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

- Property and general liability;
- Vehicles;
- Inland Marine;
- Wrongful Acts;
- Electronic Data Processing; and
- Crime.

**8. DEBT**

In May 2002, the Township financed the purchase of five ambulances. The loan will be paid off in 60 monthly payments. Changes in the loan obligation are as follows:

	Beginning Balance	Issued	Retired	Ending Balance
2004	\$383,976	\$0	\$107,571	\$276,405
2005	276,405	0	113,936	162,469



**CANTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**8. DEBT (Continued)**

Future annual principal and interest payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2006	\$120,677	\$6,208
2007	<u>41,792</u>	<u>503</u>
Total	<u>\$162,469</u>	<u>\$6,711</u>

**9. CONTINGENT LIABILITY**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**10. STARK COUNCIL OF GOVERNMENTS**

The Stark Council of Governments (SCOG) is a jointly governed organization. SCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. Currently, SCOG's functions include the funding and operation of the Stark County Metropolitan Narcotics Unit and the Canton Crime Lab. SCOG is governed by its membership, including Stark County, and other cities, villages, and townships. The membership elects a nine member executive committee. Based on recommendations of the executive committee, the membership approves its own budget, appoints personnel, and performs accounting and finance related activities.

Continued existence of the agency is not dependent on the Township's continued participation nor does the Township have an equity interest in the agency. The agency is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden to the Township. Complete financial statements may be obtained from the Stark Council of Governments, P.O. Box 21451, Canton, Ohio 44701-1451.

**11. STARK COUNTY REGIONAL PLANNING COMMISSION**

The Township participates in the Stark County Regional Planning Commission (Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed among Stark County, and other cities, villages, and townships. The principal aim of the Commission is to provide comprehensive planning, both long-term and short-term, dealing with the economic and physical environment of Stark County. The board exercises total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting, and designating management. The Township has no financial responsibility for any the Commission's liabilities. Complete financial statements can be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

Canton Township Trustees  
4711 Central Avenue, SE  
Canton, Ohio 44707

To the Board of Trustees:

We were engaged to audit the accompanying financial statements of Canton Township, Stark County, Ohio (the Township) as of and for the years ended December 31, 2005 and 2004. Since the Township was not able to provide supporting documentation to support Miscellaneous Receipts and Cash Balances, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the financial statements. Except as discussed in the preceding sentence, we conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audits, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-009 through 2005-011.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2005-009 through 2005-011 to be material weaknesses.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** (continued)

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-008.

We also noted certain additional matters that we reported to management of the Township in a separate letter dated June 2, 2008.

This report is intended solely for the information and use of management and the Township Trustees and is not intended to be and should not be used by anyone other than these specified parties.

*Varney, Fink & Associates*

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

June 2, 2008

CANTON TOWNSHIP  
STARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain</u>
2003-001	Ohio Rev. Code Section 5705.41(D) During 2003 and 2002, the Township Clerk did not always certify the availability of funds prior to commitments being made.	No	Not corrected, reissued as Finding number 2005-001
2003-002	Ohio Rev. Code Section 5705.41(B) In 2003 and 2002, the Township had expenditures which exceeded appropriations in various funds.	No	Not corrected, reissued as Finding number 2005-002
2003-003	Ohio Rev. Code Section 5705.39 During 2003 and 2002, total appropriations exceeded total estimated resources at year end in various funds.	No	Not corrected, reissued as Finding number 2005-003
2003-004	Ohio Rev. Code Section 5705.10 Negative fund cash balances.	No	Not corrected, reissued as Finding number 2005-004
2003-005	Ohio Rev. Code Section 149.351 Public records were not on file and could not be located	No	Not corrected, reissued as Finding number 2005-05
2003-006	Ohio Rev. Code Section 135.22 Clerk/Treasurer did not attend and/or complete annual continuing education programs provided by the Treasurer of State.	Yes	Corrected

CANTON TOWNSHIP  
STARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002

2003-007	Ohio Rev. Code Section 135.21 and 5705.10 Interest earned not credited to proper funds.	Yes	Corrected
2003-008	Ohio Rev. Code Section 5705.14, 5705.15 and 5705.16 Transfers not properly made, advances not authorized and repaid timely.	No	Partially corrected, reissued as Finding number 2005-006
2003-009	Ohio Rev. Code Section 117-2-02(A) Maintaining an accounting system and accounting records.	No	Not corrected, reissued as Finding number 2005-007
2003-010	IRS Publication 963 withholding social security for part-time firefighters.	No	Not corrected, reissued as Finding number 2005-008
2003-011	Canton Twp. Investment Policy requires investments to be in certificates of deposit.	Yes	Corrected
2003-012	Cash reconciliations not done.	No	Not corrected, reissued as Finding number 2005-009
2003-013	Voided checks not properly defaced and accounted for.	No	Not corrected, reissued as Finding number 2005-010
2003-014	Check Stock not properly controlled.	Yes	Corrected
2003-015	Reports and Records not submitted to the Board	Yes	Corrected
2003-016	Posting of Transactions not properly done.	No	Not corrected, reissued as Finding number 2005-011

CANTON TOWNSHIP  
STARK COUNTY  
SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2005 AND DECEMBER 31, 2004  
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED  
TO BE REPORTED IN ACCORDANCE WITH GAGAS

**NONCOMPLIANCE CITATIONS**

**Finding Number 2005-001**

Section 5705.41(D), Revised Code, requires that no subdivision shall make any contract or order any expenditures of money unless the certificate of the fiscal officer is attached. 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 an appropriate fund free from any previous encumbrances.

Further, contracts and other orders or expenditures lacking prior certification should be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides for two "exceptions" to the above requirements:

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate – This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision.
- B. Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

During 2005 and 2004, 34% and 44%, respectively, of the expenditures tested, the certification of the fiscal officer was not done. In addition, neither of the two exceptions noted above were utilized. As a result of the above, the Township could inadvertently over expend certain appropriations. The Township should implement use of Then and Now Certificates and Blanket Certificates. The Township should also inform all Township employees of the requirements of this Ohio Revised Code Section.

Corrective Action:      Contact Person:      Ron Smith, Fiscal Officer

Canton Township is on the Uniform Accounting Network (UAN) accounting system and now utilizes more blanket certificates. Fiscal Officer now certifies that monies are available for purchase orders and blanket certificates before they are approved by the Board of Trustees.

CANTON TOWNSHIP  
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**NONCOMPLIANCE CITATIONS** (continued)

**Finding Number 2005-002**

Section 5705.41(B), Revised Code, requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

Budgetary expenditures plus outstanding encumbrances exceeded appropriations in the following funds at December 31:

Year	Fund	Appropriations	Budgetary Expenditures	Variance
2004	Gasoline Tax	\$68,000	\$103,351	(\$35,351)
	Permissive Tax	58,000	98,424	(40,424)
	Motor Vehicle Tax	44,100	45,926	(1,826)
	Fire Loss	0	8,000	(8,000)
2005	FEMA	0	267,124	(267,124)
	Road and Bridge	771,280	791,957	(20,677)
	Park Fund	4,449	5,521	(1,072)

Corrective Action:      Contact Person:      Ron Smith, Fiscal Officer

Canton Township monitors expenses and encumbrances on a continuous basis through the UAN system.

**Finding Number 2005-003**

Section 5705.39, Revised Code, requires that total appropriations not exceed total estimated resources for each fund. This section also requires the Township to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources or appropriations.

The following funds had appropriations in excess of estimated resources:

Year	Fund	Estimated Resources	Appropriations	Variance
2004	General	\$642,818	\$801,765	(\$158,947)
	Road and Bridge	680,395	764,950	(84,555)
	Fire District	303,067	434,500	(131,433)
	Zoning	25,219	29,600	(4,381)
	Park	40,000	102,900	(62,900)
	Recycling	0	20,000	(20,000)

The Township also did not obtain a County Auditor's Certificate for amended appropriations.

CANTON TOWNSHIP  
STARK COUNTY  
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**NONCOMPLIANCE CITATIONS** (continued)

Corrective Action:      Contact Person:      Ron Smith, Fiscal Officer

The Township Fiscal Officer appropriates 88% of budget revenue to appropriations. This builds a 12% cushion to not exceed budget revenue. Also, monitor appropriations so they do not exceed resources.

**Finding Number 2005-004**

Section 5705.10 requires that monies paid into any fund be used only for the purposes for which such fund is established. The Township had negative cash balances as follows:

<u>December 2005</u>	<u>Negative Balance</u>
Motor Vehicle License Tax	\$26,094
Faircrest Issue II	2,259
<u>December 2004</u>	
General Fund	\$55,812

A negative cash fund balance indicates money from another fund was used to pay for the obligations of these funds. The Board of Trustees should monitor the Township's monthly financial statement activity to ensure receipts are posted accurately and help avoid cash fund deficits. When the Township determines that certain funds are in need of cash on a short-term basis, the Township should consider the use of advances as discussed in Auditor of State Bulletin 97-003.

Corrective Action:      Contact Person:      Ron Smith, Fiscal Officer

The Township will monitor fund balances and expenditures and will utilize advances/transfers when possible.

**Finding Number 2005-005**

Section 149.351, Revised Code, requires that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by Ohio Revised Code, Section 149.38 through 149.42

The Township was unable to locate the following documents:

- 5 cancelled checks
- Documentation to support 2 disbursements
- 2 purchase orders
- Various receipt books
- Bid opening documentation



CANTON TOWNSHIP  
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**NONCOMPLIANCE CITATIONS** (continued)

The Board of Trustees must ensure that all Township public records are maintained in accordance with the above section.

Corrective Action:      Contact Person:      Ron Smith, Fiscal Officer

Current Fiscal Officer's office is at the township hall, and all documents are stored at this office.

**Finding Number 2005-006**

Interfund cash advances are subject to the following requirements:

- a. Any advance must be clearly labeled as such and are intended to temporarily reallocate cash from one fund to another and involve an explanation of repayment;
- b. In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash for the same purpose for which the fund receiving the cash was established: and
- c. Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include:
  - 1. A special statement that the transaction is an advance of cash; and
  - 2. An indication of the money (fund) from which it is expected that repayment will be made.

The following advance was not authorized by a formal resolution:

Year	Advance From	Advance To	Amount
2004	Road & Bridge	General Fund	\$2,766

If, after an advance is made, the taxing authority determines that the transaction should, in fact, be treated as a transfer (repayment is no longer expected) the following procedures should be followed:

- 1. The necessary formal procedures for approval of the transfer should be completed including, if necessary, approval of the Commissioner of Tax Equalization and of the Court of Common Pleas;
- 2. The transfer should be formally recorded on the records of the subdivision; and
- 3. The entries recording the cash advance should be reversed.

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**NONCOMPLIANCE CITATIONS** (continued)

The following past advances have not been repaid:

Year	Advance From	Advance To	Amount
2002	General Fund	Park Advisory	\$100
2002	General Fund	Lighting Assessment	88,796
2003	General Fund	Fire District	1,889
2003	General Fund	Park Advisory	15,000

Corrective Action:      Contact Person:      Ron Smith, Fiscal Officer

Outstanding advances will be repaid or turned into transfers. Future advances will be approved by Trustees before making advances.

**Finding Number 2005-007**

Ohio Admin. Code Section 117-2-02(A) requires public offices to 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, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Accounting records should include the following:

1. Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipt ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund. The amount, date, name of the payor, purpose, receipt number, and other information required for the transaction to be recorded on this ledger.
3. Appropriation ledger, which may assemble and classify disbursements or expenditures/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.

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**NONCOMPLIANCE CITATIONS** (continued)

Corrective Action:      Contact Person:      Ron Smith, Fiscal Officer

Canton Township is now on the UAN accounting system. Cash Journal, Receipts Ledger and Appropriation Ledger are completed monthly. Receipts are posed timely and into the correct funds.

**Finding Number 2005-008**

Ohio Revised Code, Section 742.63, states the board of trustees of the Ohio police and fire pension fund shall adopt rules for the management of the Ohio public safety officers death benefit and for disbursements of benefits as set forth in this section. As used in this section a “member” means a full-time firefighter employed by the state, an instrumentality of the state, a municipal corporation, a township, a joint fire district or another political subdivision.

IRS Publication 963, states that effective July 2, 1991, mandatory social security coverage became effective for state and local government employees who are not members of a public retirement system and who are not covered under a Section 218 agreement.

The Township in 2005 and 2004 properly did not include part-time firefighters in the Ohio Police and Fire Pension per ORC 742.63, however the Township did not withhold Social Security taxes per IRS Publication 263.

Corrective Action:      Contact Person:      Ron Smith, Fiscal Officer

Social Security is being withheld from part-time fire fighters.

**MATERIAL WEAKNESSES**

**Finding Number 2005-009**

Cash Reconciliations

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statements(s) and the cash and investment balances according to the entity’s records at a specific point in time.

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**NONCOMPLIANCE CITATIONS** (continued)

For January 1, 2004 and through December 31, 2005, the Township did not properly reconcile the balance of the cash in the accounting records. The annual reports for fiscal years 2004 and 2005 were filed with the Auditor of State with adjustments to show a reconciled amount which the Township was unable to support.

Without complete and accurate monthly bank reconciliations, the Township's internal control is significantly weakened which could hinder the timely detection of errors or irregularities by the Township's management. In addition, Township management is not provided with timely fiscal information that is vital to the continued operation and decision making process of the Township.

The Township should perform complete monthly bank reconciliations in a timely manner. Also, a hard copy of monthly bank reconciliations and the listing of outstanding checks should be filed in the bank activity folder with the bank statements and supporting documents for the applicable month. All un-reconciled differences should be resolved as quickly as possible so they are not carried forward from month-to-month. Stale outstanding checks should be removed from the outstanding check list and tracked as unclaimed funds. All reconciling matters should be appropriately documented.

Corrective Action:      Contact Person:      Ron Smith, Fiscal Officer

Canton Township completes monthly bank reconciliations in a timely manner.

**Finding Number 2005-010**

Voided Checks

While conducting the audit on cash disbursement procedures, we noted 6 checks that were not used and 13 checks that could not be physically found. The 13 checks did not clear the bank and were apparently voided. The 6 checks were voided but not defaced or otherwise marked as voided.

This practice allows a certain loss of control over the cash disbursement process and the possibility that a voided check might not be voided at all. All voided checks should be defaced with the signature portion of the check removed and the check retained and accounted for in numerical sequence.

Corrective Action:      Contact Person:      Ron Smith, Fiscal Officer

Canton Township stamps "VOID" on all voided checks and places them into Voided Checks file.

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**NONCOMPLIANCE CITATIONS** (continued)

**Finding Number 2005-011**

Posting of Transactions

We noted numerous weaknesses with respect to the posting of transactions by the Township. These weaknesses were as follows:

Receipts

- Receipts posted to incorrect funds and/or accounts
- Duplicate postings
- Receipts not posted timely
- Lack of supporting documentation

Disbursements

- Checks voided but not removed from appropriation ledger
- Checks written but not posted in appropriation ledger
- Cancelled checks could not be located
- Lack of supporting documentation
- Disbursements posted to incorrect accounts
- Checks used out of sequence

We recommend that the Township take the necessary steps to ensure transactions are accounted for and properly classified when posted to the Township's accounting system. The Clerk should utilize the Ohio Township Handbook for guidance on posting to the proper fund and/or accounts. The Clerk should also post transactions in a timely manner, reconcile the bank accounts to the books on a monthly basis to identify if all transactions have been posted, attach supporting documentation to all receipts and disbursement transactions and monitor unused checks to assure all checks are accounted for and used in proper order.

Corrective Action:      Contact Person:      Ron Smith, Fiscal Officer

Canton Township posts receipts in a timely manner and to correct funds. All supportive documentation is filed at Canton Township office. Unused, blank checks are secured in lock file room.





Mary Taylor, CPA  
Auditor of State

**CANTON TOWNSHIP**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 7, 2009**