



**CANAAN TOWNSHIP  
WAYNE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1999-1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Canaan Township  
Wayne County  
150 Myers Street  
Creston, Ohio 44217

To the Board of Trustees:

We have audited the accompanying financial statements of Canaan Township, Wayne County, (the Township) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2000 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

This report is intended solely for the information and use of management and the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

May 16, 2000

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**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$29,083	\$150,036	\$27,472	\$206,591
Intergovernmental	70,655	91,807		162,462
Charges for Services		10,914		10,914
Licenses, Permits, and Fees	300			300
Earnings on Investments	2,745	4,363		7,108
Miscellaneous	22	5,297		5,319
<b>Total Cash Receipts</b>	<u>102,805</u>	<u>262,417</u>	<u>27,472</u>	<u>392,694</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	52,626			52,626
Public Safety	2,935	60,374		63,309
Public Works	331	199,028		199,359
Health	9,258			9,258
Debt Service:				
Redemption of Principal			23,746	23,746
Interest and Fiscal Charges			3,726	3,726
Capital Outlay	8,053	3,282		11,335
<b>Total Cash Disbursements</b>	<u>73,203</u>	<u>262,684</u>	<u>27,472</u>	<u>363,359</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>29,602</u>	<u>(267)</u>		<u>29,335</u>
<b>Other Financing Receipts:</b>				
Other Sources		600		600
<b>Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements</b>	<u>29,602</u>	<u>333</u>		<u>29,935</u>
<b>Fund Cash Balances, January 1</b>	<u>43,692</u>	<u>110,522</u>		<u>154,214</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$73,294</b></u>	<u><b>\$110,855</b></u>	<u><b>\$0</b></u>	<u><b>\$184,149</b></u>
<b>Reserves for Encumbrances, December 31</b>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>

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

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$28,706	\$156,092	\$20,387	\$205,185
Intergovernmental	57,382	97,512		154,894
Charges for Services		1,600		1,600
Licenses, Permits, and Fees	1,475			1,475
Earnings on Investments	3,657	5,539		9,196
Miscellaneous	2,415	5,015		7,430
<b>Total Cash Receipts</b>	<u>93,635</u>	<u>265,758</u>	<u>20,387</u>	<u>379,780</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	51,060			51,060
Public Safety	4,000	53,612		57,612
Public Works	329	183,561		183,890
Health	9,071			9,071
Debt Service:				
Redemption of Principal			16,990	16,990
Interest and Fiscal Charges			3,397	3,397
Capital Outlay	42,032	54,987		97,019
<b>Total Cash Disbursements</b>	<u>106,492</u>	<u>292,160</u>	<u>20,387</u>	<u>419,039</u>
<b>Total Cash Receipts (Under) Cash Disbursements</b>	<u>(12,857)</u>	<u>(26,402)</u>		<u>(39,259)</u>
<b>Other Financing Receipts</b>				
Loan Proceeds		36,000		36,000
Other Sources		100		100
<b>Total Other Financing Receipts</b>		<u>36,100</u>		<u>36,100</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements</b>	<u>(12,857)</u>	<u>9,698</u>		<u>(3,159)</u>
<b>Fund Cash Balances, January 1</b>	<u>56,549</u>	<u>100,824</u>		<u>157,373</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$43,692</b></u>	<u><b>\$110,522</b></u>	<u><b>\$0</b></u>	<u><b>\$154,214</b></u>
<b>Reserves for Encumbrances, December 31</b>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>

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

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

	<b>1999</b>	<b>1998</b>
<b>Operating Cash Receipts:</b>		
Interest	\$20	\$9
 Fund Cash Balances, January 1	403	394
 <b>Fund Cash Balances, December 31</b>	<b>\$423</b>	<b>\$403</b>
 Reserves for Encumbrances, December 31	\$0	\$0

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Canaan Township, Wayne County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical 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 investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

Gasoline Tax Fund - This fund 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 and Ambulance Fund - This fund receives property tax money for fire and ambulance protection for the residents of the Township.

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

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

**3. Debt Service Fund**

The Debt Service Fund is used to accumulate resources for the payment of note indebtedness. The Township had the following significant Debt Service Fund:

Fire Fund - This fund is used to accumulate resources for the payment of principal and interest on the Township's notes.

**4. Fiduciary Fund**

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant Fiduciary Fund:

Cemetery Bequest Fund - This fund is used to record the collection of interest on cemetery endowments.

**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.

**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. During 1999 and 1998, the Township did not encumber all commitments required by Ohio law.

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

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

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

**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. Unpaid Vacation and Sick Leave**

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

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

The Township maintains a cash and investment 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>1999</u>	<u>1998</u>
Demand deposits	\$61,437	\$58,459
STAR Ohio	<u>123,135</u>	<u>96,158</u>
Total deposits and investments	<u><u>\$184,572</u></u>	<u><u>\$154,617</u></u>

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

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 1999 and 1998 was as follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$81,614	\$102,805	\$21,191
Special Revenue	246,656	263,017	16,361
Debt Service	27,472	27,472	0
Non-expendable Trust	<u>9</u>	<u>20</u>	<u>11</u>
Total	<u><u>\$355,751</u></u>	<u><u>\$393,314</u></u>	<u><u>\$37,563</u></u>

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

**3. BUDGETARY ACTIVITY (Continued)**

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$125,305	\$73,203	\$52,102
Special Revenue	357,178	262,684	94,494
Debt Service	27,472	27,472	0
Non-expendable Trust	412	0	412
Total	\$510,367	\$363,359	\$147,008

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,977	\$93,635	\$10,658
Special Revenue	288,681	301,858	13,177
Debt Service	20,387	20,387	0
Non-expendable Trust	9	9	0
Total	\$392,054	\$415,889	\$23,835

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$139,527	\$106,492	\$33,035
Special Revenue	388,167	292,160	96,007
Debt Service	20,387	20,387	0
Non-expendable Trust	403	0	403
Total	\$548,484	\$419,039	\$129,445

Contrary to Ohio Rev. Code Section 5705.41(D), during 1999 and 1998, the Township did not certify the availability of funds for its expenditures prior to the obligation, commitment or expenditure.

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

**4. PROPERTY TAX**

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. DEBT**

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Fire Truck Loan	\$19,399	6.75%
Fire Truck Loan	30,410	5.75%
Total	\$49,809	

The Township has obtained two separate loans from Stebbins National Bank of Creston for the purpose of purchasing fire trucks. The loans are being paid in semiannual installments with interest.

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

Year ending December 31:	Fire Truck Loans
2000	\$27,472
2001	7,085
2002	7,085
2003	7,085
2004	7,085
Total	\$55,812

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

**6. RETIREMENT SYSTEM**

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

**7. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public official's liability

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



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

Canaan Township  
Wayne County  
150 Myers Street  
Creston, Ohio 44217

To the Board of Trustees:

We have audited the accompanying financial statements of Canaan Township, Wayne County, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 16, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 1999-40985-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 16, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 16, 2000.

Canaan Township  
Wayne County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, sweeping flourish at the end.

**Jim Petro**  
Auditor of State

May 16, 2000

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Noncompliance**

Finding Number	1999-40985-001
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Ohio Rev. Code Section 5705.41(D) states, in part, that:

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

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

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

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





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**CANAAN TOWNSHIP**

**WAYNE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 27, 2000**