



**CANAAN TOWNSHIP
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CANAAN TOWNSHIP
WAYNE COUNTY**

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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, Ohio, (the Township) as of and for the years ended December 31, 2001 and 2000. 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 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. 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, 2001 and 2000, 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 14, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the Audit Committee, management, 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". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

May 14, 2002

**CANAAN TOWNSHIP
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$33,085	\$187,756	\$3,543	\$224,384
Intergovernmental	96,571	102,405		198,976
Charges for Services		50,220		50,220
Licenses, Permits, and Fees	1,250	4,264		5,514
Earnings on Investments	2,712	4,749		7,461
Miscellaneous	2,096	7,815		9,911
	<u>135,714</u>	<u>357,209</u>	<u>3,543</u>	<u>496,466</u>
Cash Disbursements:				
Current:				
General Government	68,891			68,891
Public Safety	24,000	81,233		105,233
Public Works	309	229,664		229,973
Health	9,892			9,892
Debt Service:				
Redemption of Principal		22,171	2,830	25,001
Interest and Fiscal Charges		535	713	1,248
Capital Outlay	45,837	25,617		71,454
	<u>148,929</u>	<u>359,220</u>	<u>3,543</u>	<u>511,692</u>
Total Cash Receipts Under Cash Disbursements	(13,215)	(2,011)	0	(15,226)
Other Financing Receipts:				
Other Sources		1,200		1,200
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements	(13,215)	(811)	0	(14,026)
Fund Cash Balances, January 1	73,771	102,733	0	176,504
Fund Cash Balances, December 31	<u>\$60,556</u>	<u>\$101,922</u>	<u>\$0</u>	<u>\$162,478</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**CANAAN TOWNSHIP
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$32,511	\$164,546	\$27,462	\$224,519
Intergovernmental	43,920	105,012		148,932
Charges for Services		34,549		34,549
Licenses, Permits, and Fees	1,775	3,900		5,675
Earnings on Investments	4,340	6,445		10,785
Miscellaneous	1,491	8,250		9,741
	<u>84,037</u>	<u>322,702</u>	<u>27,462</u>	<u>434,201</u>
Cash Disbursements:				
Current:				
General Government	73,963			73,963
Public Safety		74,358		74,358
Public Works	314	232,040		232,354
Health	9,283			9,283
Debt Service:				
Redemption of Principal			24,798	24,798
Interest and Fiscal Charges			2,664	2,664
Capital Outlay		24,876		24,876
	<u>83,560</u>	<u>331,274</u>	<u>27,462</u>	<u>442,296</u>
Total Cash Disbursements				
	<u>83,560</u>	<u>331,274</u>	<u>27,462</u>	<u>442,296</u>
Total Cash Receipts Over/(Under) Cash Disbursements	477	(8,572)	0	(8,095)
Other Financing Receipts:				
Other Sources		450		450
		<u>450</u>		<u>450</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	477	(8,122)	0	(7,645)
Fund Cash Balances, January 1	73,294	110,855		184,149
Fund Cash Balances, December 31	<u>\$73,771</u>	<u>\$102,733</u>	<u>\$0</u>	<u>\$176,504</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**CANAAN TOWNSHIP
WAYNE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
NON-EXPENDABLE TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
Operating Cash Receipts:		
Earnings on Investments	\$21	\$27
Fund Cash Balances, January 1	<u>450</u>	<u>423</u>
Fund Cash Balances, December 31	<u>\$471</u>	<u>\$450</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>

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

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**CANAAN TOWNSHIP
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Canaan Township, Wayne 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, 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:

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

Fire District Fund - This fund receives property tax money for fire and ambulance protection for the residents of the Township.

**CANAAN TOWNSHIP
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (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 Debt Service Fund:

Note Retirement Fund – This fund is used to accumulate resources for the payment of principal and interest on Township notes related to the purchase of a fire truck.

4. Fiduciary Fund

This fund is 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 fiduciary fund:

Cemetery Bequest Fund – This fund is used to record the collection of interest on a cemetery endowment.

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. Encumbrances outstanding at year end are carried over, and need not be reappropriated. During 2001 and 2000, the Township did not encumber all commitments required by Ohio law.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**CANAAN TOWNSHIP
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(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. 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:

	2001	2000
Demand deposits	\$49,057	\$44,875
STAR Ohio	113,892	132,079
Total deposits and investments	\$162,949	\$176,954

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

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 ending December 31 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$109,971	\$135,714	\$25,743
Special Revenue	337,218	358,409	21,191
Debt Service	7,085	3,543	(3,542)
Fiduciary	26	21	(5)
Total	\$454,300	\$497,687	\$43,387

**CANAAN TOWNSHIP
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$183,741	\$148,929	\$34,812
Special Revenue	440,429	359,220	81,209
Debt Service	7,085	3,543	3,542
Fiduciary	0	0	0
Total	<u>\$631,255</u>	<u>\$511,692</u>	<u>\$119,563</u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,764	\$84,037	\$6,273
Special Revenue	294,840	323,152	28,312
Debt Service	27,472	27,462	(10)
Fiduciary	17	27	10
Total	<u>\$400,093</u>	<u>\$434,678</u>	<u>\$34,585</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$151,056	\$83,560	\$67,496
Special Revenue	415,137	331,274	83,863
Debt Service	27,472	27,462	10
Fiduciary	0	0	0
Total	<u>\$593,665</u>	<u>\$442,296</u>	<u>\$151,369</u>

4. NONCOMPLIANCE

Contrary to Ohio Rev. Code Section 135.21, the Clerk improperly allocated interest to all Township funds during 2001 and 2000.

Contrary to Ohio Rev. Code Section 5705.41(D), the Township did not certify the availability of funds for certain expenditures during 2001 and 2000.

**CANAAN TOWNSHIP
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding 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.

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.

6. RETIREMENT SYSTEMS

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. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

Effective July 1, 1991, all employees not otherwise covered by PERS had the option to choose Social Security or PERS. At December 31, 2001, one member of the Board of Trustees elected Social Security. The Board's liability is 6.2% of wages paid.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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

**CANAAN TOWNSHIP
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

8. SUBSEQUENT EVENT

On April 17, 2002, the Township received \$189,392 in estate tax. The Township intends to use the proceeds to purchase a fire truck.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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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, Ohio, (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 14, 2002. 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.

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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-40985-001 and 2001-40985-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 14, 2002.

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 14, 2002.

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 solely for the information and use of the Audit Committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

May 14, 2002

**CANAAN TOWNSHIP
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-40985-001

Ohio Rev. Code Section 135.21 states that all interest earned must be credited to the General Fund of the subdivision, unless otherwise specified by law.

For 2001 and 2000, the Clerk distributed interest to all Township funds, which included improper allocation to the following Special Revenue funds:

Special Revenue Funds	2001 Interest	2000 Interest	Total
Road and Bridge	\$1,500	\$2,433	\$3,933
Fire District	935	800	1,735
Cemetery	1,372	1,737	3,109
Total	\$3,807	\$4,970	\$8,777

As a result of allocating interest to all Township funds, receipts are overstated in the Special Revenue Road and Bridge Fund, Special Revenue Fire District Fund and Special Revenue Cemetery Fund and understated in the General Fund.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 135.21, Findings for Adjustment for improperly allocating interest are hereby issued against the Special Revenue Road and Bridge Fund, Special Revenue Fire District Fund, and Special Revenue Cemetery Fund and in favor of the General Fund.

FINDING NUMBER 2001-40985-002

Ohio Rev. Code Section 5705.41(D), provides that no subdivision or taxing unit 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 obligation 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. This certificate need be signed only by the subdivision's fiscal officer. Every such contract made without such a certificate shall be 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.

FINDING NUMBER 2001-40985-002 (Continued)

2. If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Of the transactions tested for the audit period, 35% were not certified by the Clerk prior to incurring the obligation. In addition, neither of the two exceptions were utilized. Failure to certify the availability of funds prior to entering into the commitment 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.

**CANAAN TOWNSHIP
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-40985-001	ORC 5704.41 (D) – Failure to Certify Funds	No	Partially corrected – Will be repeated in the current report. See Finding #2001-40985-002



STATE OF OHIO
OFFICE OF THE AUDITOR

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
JULY 9, 2002**