



Mary Taylor, CPA  
Auditor of State



**CANAAN TOWNSHIP  
ATHENS COUNTY**

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# Mary Taylor, CPA

Auditor of State

Canaan Township  
Athens County  
6511 Wright Road  
Athens, Ohio 45701

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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**Mary Taylor, CPA**  
Auditor of State

July 20, 2009

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Canaan Township  
Athens County  
6511 Wright Road  
Athens, Ohio 45701

To the Board of Trustees:

We have audited the accompanying financial statements of Canaan Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Canaan Township, Athens County, Ohio, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

July 20, 2009

**CANAAN TOWNSHIP  
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 56,707	\$ 249,967	\$ 306,674
Intergovernmental	63,912	146,993	210,905
Licenses, Permits, and Fees	3,020		3,020
Earnings on Investments	341		341
Miscellaneous	1,805	2,620	4,425
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	125,785	399,580	525,365
<b>Cash Disbursements:</b>			
Current:			
General Government	76,719		76,719
Public Safety		201,243	201,243
Public Works		159,755	159,755
Health		14,453	14,453
Debt Service:			
Redemption of Principal		12,930	12,930
Interest and Fiscal Charges		288	288
Capital Outlay	177	8,724	8,901
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	76,896	397,393	474,289
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	48,889	2,187	51,076
<b>Other Financing Receipts/(Disbursements):</b>			
Other Uses	(419)		(419)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(419)	0	(419)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	48,470	2,187	50,657
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	30,868	277,773	308,641
<b>Fund Cash Balances, December 31</b>	<hr/>	<hr/>	<hr/>
	<b>\$ 79,338</b>	<b>\$ 279,960</b>	<b>\$ 359,298</b>
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>
	<b>\$ 1,888</b>	<b>\$ 10,309</b>	<b>\$ 12,197</b>

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

**CANAAN TOWNSHIP  
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 56,455	\$ 243,915	\$ 300,370
Intergovernmental	20,866	161,230	182,096
Licenses, Permits, and Fees	2,623		2,623
Earnings on Investments	1,473		1,473
Miscellaneous	1,644	2,180	3,824
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	83,061	407,325	490,386
<b>Cash Disbursements:</b>			
Current:			
General Government	80,465		80,465
Public Safety		164,182	164,182
Public Works		155,054	155,054
Health		18,279	18,279
Debt Service:			
Redemption of Principal		20,594	20,594
Interest and Fiscal Charges		810	810
Capital Outlay	118	50,149	50,267
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	80,583	409,068	489,651
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	2,478	(1,743)	735
<b>Other Financing Receipts/(Disbursements):</b>			
Other Uses	(334)		(334)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(334)	0	(334)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	2,144	(1,743)	401
Fund Cash Balances, January 1, as restated	<hr/>	<hr/>	<hr/>
	28,724	279,516	308,240
<b>Fund Cash Balances, December 31</b>	<hr/>	<hr/>	<hr/>
	<b>\$ 30,868</b>	<b>\$ 277,773</b>	<b>\$ 308,641</b>
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>
	<b>\$ 1,888</b>	<b>\$ 10,309</b>	<b>\$ 12,197</b>

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

**CANAAN TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Canaan Township, Athens County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and fire protection. The Township contracts with the Ames and Richland Area Fire Departments to provide fire protection.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

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

**C. Cash and Investments**

The Fiscal Officer of the Township invests all available funds of the Township in an interest bearing 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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

*Fire District* - This fund receives property tax money to provided fire protection services.

**CANAAN TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Gasoline Tax - This fund receives gasoline tax money 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.

**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 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. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**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.

A summary of 2008 and 2007 budgetary activity appears in Note 4.

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**CANAAN TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**2. RESTATEMENT OF BEGINNING FUND BALANCES**

The Township voided checks written prior to January 1, 2007 resulting in the restatement of fund balances as follows:

Fund	12/31/2006 Fund Balance	Amount	Restated 1/1/2007 Balance
General	\$ 28,607	\$ 117	\$ 28,724
Gasoline Tax	49,783	799	50,582
Road and Bridge	42,370	254	42,624
Permissive MVL	7,624	173	7,797

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

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

	2008	2007
Demand deposits	\$ 359,299	\$ 308,641

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

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 89,833	\$ 125,785	\$ 35,952
Special Revenue	425,239	399,580	(25,659)
Total	\$ 515,072	\$ 525,365	\$ 10,293

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 87,210	\$ 79,203	\$ 8,007
Special Revenue	394,345	407,702	(13,357)
Total	\$ 481,555	\$ 486,905	\$ (5,350)

**CANAAN TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**4. BUDGETARY ACTIVITY (Continued)**

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 92,770	\$ 83,061	\$ (9,709)
Special Revenue	398,048	407,325	9,277
Total	\$ 490,818	\$ 490,386	\$ (432)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 84,460	\$ 82,805	\$ 1,655
Special Revenue	336,855	419,377	(82,522)
Total	\$ 421,315	\$ 502,182	\$ (80,867)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Gasoline Tax Fund and Fire District Fund for the year ended December 31, 2008. Budgetary expenditures exceeded appropriation authority in the Motor Vehicle License Fund, Gasoline Tax Fund, Road & Bridge Fund, Cemetery Fund, and Road Resurfacing Fund for the year ended December 31, 2007.

**4. PROPERTY TAX**

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

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

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

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

**5. DEBT**

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
Promissory Note - Dump Truck	\$ 478	2.15%

The Dump Truck Promissory Note was for the purchase of a dump truck. The original note payable was for \$62,033. The full faith and credit of the Township has been pledged to repay the debt.

**CANAAN TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**6. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**7. RISK MANAGEMENT**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**CANAAN TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$3,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

**CANAAN TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Township Contributions to OTARMA	
<hr/>	
2006	6,789
2007	5,712
2008	5,930

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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# Mary Taylor, CPA

Auditor of State

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

Canaan Township  
Athens County  
6511 Wright Road  
Athens, Ohio 45701

To the Board of Trustees:

We have audited the financial statements of Canaan Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007 and have issued our report thereon dated July 20, 2009, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider findings 2008-002 and 2008-003 described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2008-002 and 2008-003 are also material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2008-001 and 2008-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 20, 2009.

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

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



**Mary Taylor, CPA**  
Auditor of State

July 20, 2009

**CANAAN TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

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

**FINDING NUMBER 2008-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Total budgetary expenditures exceeded formally adopted appropriations at December 31, 2008 as follows:

Fund	Amount Exceeded
Fire District	\$ 59,162

Total budgetary expenditures exceeded formally adopted appropriations at December 31, 2007 as follows:

Fund	Amount Exceeded
Motor Vehicle License	\$ 449.00
Road & Bridge	18,317
Cemetery	45,340
Road Resurfacing	90,994

The large excesses in the Fire District, Cemetery and Road Resurfacing funds were partially due to audit adjustments to report only those appropriations adopted by the Township Trustees. However, excesses still existed prior to the adjustments that can result in deficit fund balances.

We recommend that the Township Fiscal Officer not certify the availability of funds or approve payment requests exceeding appropriations. The Fiscal Officer may request the Township Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources if necessary.

**Officials' Response:** The Township will monitor to ensure compliance.

**FINDING NUMBER 2008-002**

**Noncompliance Citation and Material Weakness**

Ohio Admin. Code Section 117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

**CANAAN TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2008-002 (Continued)**

**Noncompliance Citation and Material Weakness – Ohio Admin. Code Section 117-2-02(C)(1)  
(Continued)**

At December 31, 2008, budgeted receipts and expenditures, as adopted by the Township Board of Trustees and filed with the County Auditor, did not agree to the Township's accounting system for all funds. The variances and funds are as follows:

Fund	Budgeted Receipts		Variance
	Per the Certificate of Estimated Resources	Per the Accounting System	
Fire District	\$ 74,475	\$ 80,379	\$ 5,904

  

Fund	Appropriations		Variance
	Per the Appropriation Measure	Per the Accounting System	
General	\$ 87,210	\$ 87,310	\$ 100
Fire District	74,450	138,550	64,100
Road Resurfacing	121,450	121,600	150

At December 31, 2007, budgeted receipts and expenditures, as adopted by the Township Board of Trustees and filed with the County Auditor, did not agree to the Township's accounting system for all funds. The variances and funds are as follows:

Fund	Budgeted Receipts		Variance
	Per the Certificate of Estimated Resources	Per the Accounting System	
Cemetery	\$ 27,100	\$ 77,100	\$ 50,000
Road Resurfacing	107,900	167,900	60,000

  

Fund:	Appropriations		Variance
	Per the Appropriation Measure	Per the Accounting System	
General	\$ 84,460	\$ 86,660	\$ 2,200
Motor Vehicle License	12,020	12,520	500
Gasoline	71,900	72,400	500
Road & Bridge	60,650	75,350	14,700
Cemetery	22,985	72,985	50,000
Road Resurfacing	86,500	149,000	62,500

**CANAAN TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2008-002 (Continued)**

**Noncompliance Citation and Material Weakness – Ohio Admin. Code Section 117-2-02(C)(1)  
(Continued)**

The Trustees lost some degree of budgetary control because they were unable to monitor actual results of operations against the amounts adopted at the beginning of the years. In addition, this resulted in adjustments made to Note 4 of the notes to the financial statements.

We recommend the Township Fiscal Officer accurately post estimated receipts as certified by the County Budget Commission and appropriations as approved by the Township's Board of Trustees into the computer system and only after receiving approval. This procedure will ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the years.

**Officials' Response:** The Township will monitor to ensure compliance.

**FINDING NUMBER 2008-003**

**Noncompliance Citation and Material Weakness**

Ohio Rev. Code Section 5705.42 states when the state or any department, division, agency, authority, or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purpose by the taxing authority of the subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection within the meaning of section 5705.41 of the Revised Code.

Ohio Rev. Code Section 5705.36(A)(3) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting such excess.

Auditor of State Bulletin 2002-004 states the Ohio Public Works Commission (OPWC), will make payments to the contractor(s) for its share based on invoices submitted by the fiscal officer or to the local government as a reimbursement. For payments made to the contractor, the State will notify the fiscal officer of the amount disbursed. Upon receipt of this notice, each local government shall record a receipt and expenditure in the capital projects fund equal to the amount disbursed by the OPWC.

The Township did not record the 2007 receipt and expenditure of OPWC payments totaling \$33,852. This resulted in audit adjustments. The audited financial statements reflect the above adjustments.

In addition, the Township did not budget for the on-behalf payments. Expenditure versus appropriation variances are reflected in 2008-001 in the current Schedule of Findings.

**CANAAN TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2008-003 (Continued)**

**Noncompliance Citation and Material Weakness – Ohio Rev. Code Section 5705.42 (Continued)**

We recommend the Township record all on-behalf payments to their accounting system as outlined in the aforementioned bulletin. We also recommend the Township budget for the on-behalf receipts and expenditures.

**Officials' Response:** The Township will monitor to ensure compliance.

**CANAAN TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	A material noncompliance citation was issued under Ohio Revised Code Section 5705.41(B) for expenditures exceeding appropriations in 2006 and 2005.	No	Not Corrected:  This item is repeated in the current audit Schedule of Findings as finding number 2008-001.
2006-002	A material noncompliance citation was issued under Ohio Revised Code Section 5705.41(D)(1) for expenditures not properly certified by the Fiscal Officer at the time of commitment in 2006 and 2005.	Yes	NA





Mary Taylor, CPA  
Auditor of State

**CANAAN TOWNSHIP**

**ATHENS 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  
AUGUST 18, 2009**