



**CANTON TOWNSHIP
STARK COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-98



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CANTON TOWNSHIP
STARK COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Canton Township
Stark County
4711 Central Avenue S.E.
Canton, Ohio 44707

To the Board of Trustees:

We have audited the accompanying financial statements of Canton Township, Stark County, Ohio, (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 January 8, 2001, 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.

Canton Township
Stark County
Report of Independent Accountants
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This report is intended solely for the information and use of 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.

Jim Petro
Auditor of State

January 8, 2001

**CANTON TOWNSHIP
STARK COUNTY**

**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>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash receipts:				
Local taxes	\$160,600	\$1,155,517		\$1,316,117
Intergovernmental	395,852	324,083		719,935
Charges for services		83,995		83,995
Licenses, permits, and fees		26,599		26,599
Interest	22,112	1,609		23,721
Other	25,049	44,568		69,617
Total cash receipts	<u>603,613</u>	<u>1,636,371</u>		<u>2,239,984</u>
Cash disbursements:				
Current:				
General government	355,142	100,451		455,593
Public safety	30,037	618,460		648,497
Public works	23,000	632,289	\$3,599	658,888
Health	65,604			65,604
Miscellaneous		8,916		8,916
Capital outlay		212,918		212,918
Total cash disbursements	<u>473,783</u>	<u>1,573,034</u>	<u>3,599</u>	<u>2,050,416</u>
Total cash receipts over/(under) cash disbursements	<u>129,830</u>	<u>63,337</u>	<u>(3,599)</u>	<u>189,568</u>
Other financing receipts/(disbursements):				
Operating transfers in		11,500		11,500
Operating transfers out	(11,500)			(11,500)
Total other financing receipts (disbursements)	<u>(11,500)</u>	<u>11,500</u>	<u>0</u>	<u>0</u>
Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements	<u>118,330</u>	<u>74,837</u>	<u>(3,599)</u>	<u>189,568</u>
Fund cash balances, January 1	<u>108,853</u>	<u>268,938</u>	<u>387</u>	<u>378,178</u>
Fund cash balances, December 31	<u>\$227,183</u>	<u>\$343,775</u>	<u>(\$3,212)</u>	<u>\$567,746</u>
Reserves for encumbrances, December 31	<u>\$756</u>	<u>\$55,546</u>	<u>\$0</u>	<u>\$56,302</u>

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

**CANTON TOWNSHIP
STARK COUNTY**

**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>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash receipts:				
Local taxes	\$149,173	\$1,015,132		\$1,164,305
Intergovernmental	446,756	194,045	\$63,293	704,094
Charges for services		65,051		65,051
Licenses, permits, and fees	22,184			22,184
Interest	7,030	1,692		8,722
Other	53,234	41,697	1,189	96,120
	<u>678,377</u>	<u>1,317,617</u>	<u>64,482</u>	<u>2,060,476</u>
Total cash receipts				
Cash disbursements:				
Current:				
General government	473,258			473,258
Public safety	64,000	722,520		786,520
Public works		412,072	7,032	419,104
Health	62,179			62,179
Miscellaneous		13,517		13,517
Capital outlay	29,068	156,569	63,293	248,930
	<u>628,505</u>	<u>1,304,678</u>	<u>70,325</u>	<u>2,003,508</u>
Total cash disbursements				
Total cash receipts over/(under) cash disbursements	<u>49,872</u>	<u>12,939</u>	<u>(5,843)</u>	<u>56,968</u>
Other financing receipts/(disbursements):				
Operating transfers in		76,000		76,000
Operating transfers out	(76,000)			(76,000)
	<u>(76,000)</u>	<u>76,000</u>	<u>0</u>	<u>0</u>
Total other financing receipts/(disbursements)				
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	(26,128)	88,939	(5,843)	56,968
Fund cash balances, January 1	<u>134,981</u>	<u>179,999</u>	<u>6,230</u>	<u>321,210</u>
Fund cash balances, December 31	<u>\$108,853</u>	<u>\$268,938</u>	<u>\$387</u>	<u>\$378,178</u>
Reserves for encumbrances, December 31	<u>\$2,851</u>	<u>\$7,043</u>	<u>\$0</u>	<u>\$9,894</u>

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

**CANTON TOWNSHIP
STARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Canton Township, Stark 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 and fire and ambulance services.

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

The Township is associated with certain organizations which are defined as Jointly Governed Organizations under Governmental Accounting Standards Board (GASB) Statement No. 14, *Reporting Entity*. These organizations are presented in Notes 9 and 10. These organizations are the Stark Council of Governments and the Stark County Regional Planning Commission.

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 maintains all cash and investments in a checking account and overnight repurchase agreements.

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.

**CANTON TOWNSHIP
STARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than 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 Tax Fund - This fund receives property tax levy revenues for the purpose of operating the fire department.

Fire Special Levy Tax Fund - This fund receives property tax levy revenues for the purpose of purchasing and maintaining fire department equipment.

Ambulance and Emergency Medical Fund - This fund receives charges for services for the purpose of providing ambulance and emergency medical services.

Lighting Assessment Fund - This fund receives special assessment revenues for the purpose of providing street lighting.

Park Fund - This fund receives state grants and local monies for the purpose of constructing a park.

Permissive Motor Vehicle License Fund - This fund receives permissive motor vehicle taxes for the purpose of maintaining and repairing 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. The Township had the following significant Capital Projects Fund:

Cheyenne Bridge Fund - This fund is used to account for proceeds from the Ohio Public Works Commission Issue II funds. These funds are being used to construct a bridge.

E. Budgetary Process

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

**CANTON TOWNSHIP
STARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 canceled, and reappropriated in the subsequent year.

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

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

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

**CANTON TOWNSHIP
STARK COUNTY**

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

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>
Deposits:		
Demand deposits	\$10,457	(\$60,801)
Investment:		
Repurchase agreement	<u>557,289</u>	<u>438,979</u>
Total	<u>\$567,746</u>	<u>\$378,178</u>

Investments: The repurchase agreement is an overnight sweep account reported at cost.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$540,600	\$603,613	\$63,013
Special Revenue	1,756,834	1,647,871	(108,963)
Capital Projects	<u>520,000</u>	<u>0</u>	<u>(520,000)</u>
Total	<u>\$2,817,434</u>	<u>\$2,251,484</u>	<u>(\$565,950)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$484,026	\$486,039	(\$2,013)
Special Revenue	1,994,768	1,628,580	366,188
Capital Projects	<u>500,000</u>	<u>3,599</u>	<u>496,401</u>
Total	<u>\$2,978,794</u>	<u>\$2,118,218</u>	<u>\$860,576</u>

**CANTON TOWNSHIP
STARK COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$658,874	\$678,377	\$19,503
Special Revenue	1,588,519	1,393,617	(194,902)
Capital Projects	1,300,000	64,482	(1,235,518)
Total	\$3,547,393	\$2,136,476	(\$1,410,917)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$8,199	\$707,356	(\$699,157)
Special Revenue	59,000	1,311,721	(1,252,721)
Capital Projects	0	70,325	(70,325)
Total	\$67,199	\$2,089,402	(\$2,022,203)

4. NONCOMPLIANCE

Contrary to Ohio Rev. Code Section 5705.10, the Township had cash fund deficits within the Special Revenue Lighting Assessment, Fire District Tax, Road and Bridge, Fire Special Levy Tax funds throughout 1999 and 1998. In addition, the Special Revenue Lighting Assessment Fund had 1999 and 1998 year end cash deficit fund balances. Finally, the Special Revenue Fire District Tax and Capital Projects Cheyenne Bridge funds had 1999 year end cash deficit fund balances.

Contrary to Ohio Rev. Code Section 5705.16, the Township approved transfers from certain Special Revenue Funds to Special Revenue Funds and Capital Projects Funds in 1999. In addition, during 1999 and 1998, the Clerk/Treasurer made certain transfers and advances from the General Fund to the Lighting Assessment Fund without evidence of approval in the Board of Trustees minutes. Finally during 1998, the Board of Trustees minutes documented approval of a transfer from the General Fund to the Special Revenue Park Fund; however, the Clerk/Treasurer made the transaction an advance and in a different amount.

Contrary to Ohio Rev. Code Section 5705.38, the Township did not file any appropriation measures with the County Auditor for 1998. Nor did the Township provide a detail of appropriation amounts approved (appropriation resolution). The March 9, 1998 minutes indicate the Township did adopt total appropriations though fund amounts were not documented in the minutes.

Contrary to Ohio Rev. Code Section 5705.39, the Township had appropriations which exceeded total estimated resources in 1999 for the Special Revenue Fire District Tax Fund.

Contrary to Ohio Rev. Code Section 5705.41(B), the Township had fund level expenditures plus outstanding encumbrances which exceeded appropriations within the Special Revenue Ambulance and Emergency Medical Fund during 1999.

**CANTON TOWNSHIP
STARK COUNTY**

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

4. NONCOMPLIANCE (Continued)

Contrary to Ohio Rev Code Section 5705.41(D), the Township did not always certify all purchases prior to incurring the commitments during 1999 and 1998.

Contrary to Ohio Rev. Code Section 5705.42, the Township did not initially record Issue II funds received from the Ohio Public Works Commission during 1998.

Contrary to Ohio Rev. Code Section 515.11, the Board of Trustees did not certify Special Revenue Lighting Assessment Fund special assessments to the County Auditor in 1997 or 1999.

Contrary to Ohio Rev. Code Section 742.32, the Township did not remit Police and Fire Disability and Pension Fund withholdings within the required time.

Contrary to 26 C.F.R. Section 1.6041-1, the Township did not prepare any Form 1099-MISC for vendors who provided more than \$600 in goods and services to the Township in 1998.

Contrary to the Township's written investment policy dated September 9, 1996, the Township invested monies in overnight repurchase agreements.

Contrary to Ohio Rev. Code Section 135.12, the Township did not have depository contracts on file documenting the designation and awarding of the Township's monies among approved public depositories.

Contrary to Ohio Rev. Code Section 135.22, the Clerk/Treasurer did not attend and/or complete any annual continuing education programs provided by the Treasurer of State and still invested funds in repurchase agreements during both 1999 and 1998.

Contrary to Admin. Code Section 117-3-09, the Township did not post the estimated revenue to be received by account, did not post the receipt number to the cash book nor were the receipts totaled by month.

Contrary to Admin. Code Section 117-3-12, the Township did not prepare pay-ins (duplicate receipts) for all monies received by the Township.

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 payment is due December 31. The second half payment is due the following June 20.

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.

**CANTON TOWNSHIP
STARK COUNTY**

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

6. RETIREMENT SYSTEMS

The Township's firemen belong to the Police & Firemen's Disability & Pension Fund (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post retirement 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 PFDPF contributed 10% of their wages to the PFDPF. The Township contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township did not pay all contributions required and penalties incurred through December 31, 1999 until October 17, 2000 as disclosed in Note 11.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Commercial inland marine
- General liability
- Public officials' liability
- Employers liability

8. 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.

9. 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.

**CANTON TOWNSHIP
STARK COUNTY**

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

10. 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 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.

11. SUBSEQUENT EVENT

On October 17, 2000, the Township paid \$110,000 to the Police & Fire Disability & Pension Fund for the balance due on the Township's previously incurred required contributions, penalties, and interest of roughly \$94,000, \$4,000 and \$12,000, respectively.



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**

Canton Township
Stark County
4711 Central Avenue S.E.
Canton, Ohio 44707

To the Board of Trustees:

We have audited the accompanying financial statements of Canton Township, Stark County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated January 8, 2001. 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 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 1999-41276-001 through 1999-41276-015.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated January 8, 2001.

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. 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 1999-41276-016 and 1999-41276-017.

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. 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 1999-41276-016 and 1999-41276-017 to be material weaknesses.

We also 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 January 8, 2001.

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.

Jim Petro
Auditor of State

January 8, 2001

**CANTON TOWNSHIP
STARK COUNTY**

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

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

FINDING NUMBER 1999-41276-001

Ohio Rev. Code Section 5705.10 states in part, that money paid into any fund shall be used only for the purpose for which such fund is established.

During 1999 and 1998, the Special Revenue Lighting Assessment, Fire District Tax, Road and Bridge, and Fire Special Levy Tax funds had cash deficit fund balances at various points in time up to roughly \$51,000, \$139,000, \$38,000, and \$60,000, respectively. In addition, the Special Revenue Lighting Assessment Fund had 1999 and 1998 year end cash deficit fund balances of \$88,872 and \$50,340, respectively. Finally, the Special Revenue Fire District Tax and Capital Projects Cheyenne Bridge funds had 1999 year end cash deficit fund balances of \$40,494 and \$3,212, respectively.

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 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.

FINDING NUMBER 1999-41276-002

Ohio Rev. Code Section 5705.16 allows transfers of funds from one fund of a subdivision to any other, with certain exceptions, using the procedures set forth in Ohio Rev. Code Section 5705.16 which in certain cases require the approvals of the Board of Trustees, the State Tax Commissioner and the County Court of Common Pleas, respectively.

During 1999, the Board of Trustees approved and the Clerk/Treasurer subsequently transferred \$10,000 and \$42,000 from the Special Revenue Permissive Motor Vehicle License Fund and Special Revenue Ambulance and Emergency Medical Fund, respectively, to the Capital Projects Cheyenne Bridge Fund and the Special Revenue Fire District Tax Fund, respectively, without the approval of the State Tax Commissioner and the County Court of Common Pleas. In addition, during 1999 and 1998, the Clerk/Treasurer made \$40,000 and \$50,340 advances, respectively, from the General Fund to the Special Revenue Lighting Assessment Fund without evidence of approval in the Board of Trustees minutes. The current Board of Trustees represented they were not aware of and had not approved the above mentioned advances. Finally, during 1998, the Board of Trustees minutes documented the approval of a \$76,000 transfer from the General Fund to the Special Revenue Park Fund; however, the Clerk/Treasurer made a \$66,800 advance from the General Fund to the Special Revenue Park Fund. The effects of the aforementioned transfers and advances have been subsequently adjusted within the Township's ledgers and on the combined financial statements.

Noncompliance (Continued)

FINDING NUMBER 1999-41276-002 (Continued)

Ohio Rev. Code Section 5705.16 (Continued)

Rather than transferring monies among the Special Revenue and Capital Projects funds and to ensure compliance with the Ohio Rev. Code, the Township should review the Township Resolutions which define the legal purpose of the transferring fund and consider making an expenditure directly from the fund if the expenditure is reasonably within the purpose of the respective fund. This analysis may help the Township reduce the number and frequency of transfers. Otherwise, the Township should obtain the required approvals from the State Tax Commissioner and the County Court of Common Pleas as required. The Board of Trustees should also evidence approval of all legal transfers and advances in their minute record. Finally, the Board of Trustees should review the Township's monthly financial statements to determine that transfers and advances are made in accordance with their authorization.

FINDING NUMBER 1999-41276-003

Ohio Rev. Code Section 5705.38 requires that on or about the first day of each fiscal year, an appropriation measure be passed. The Township may pass a temporary appropriation measure to meet ordinary expenses until April 1, at which time a permanent appropriation measure must be passed.

Although the Board of Trustees minutes reflected the 1998 appropriations were approved, a signed completed copy of the 1998 Annual Appropriations Resolution could not be located by Township personnel. In addition, the 1998 Annual Appropriation Resolution was not filed with the County Auditor. The result places doubt over the legality of the Township's expenditures. The Township should adopt a permanent appropriation measure by April 1 each year. This measure should be signed and completed by the Clerk/Treasurer and filed with the County Auditor with a copy maintained on file with the Clerk/Treasurer.

FINDING NUMBER 1999-41276-004

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from 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.

During 1999, total appropriations exceeded total estimated resources at year end as follows:

Fund	Estimated Resources	Appropriations	Variance
Special Revenue Fire District Tax Fund	\$376,309	\$432,500	(\$56,191)

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. The Board of Trustees should monitor appropriations versus estimated resources to help avoid overspending. In addition, the Clerk/Treasurer should obtain the required certificate from the County Auditor when amending appropriations and estimated resources.

Noncompliance (Continued)

FINDING NUMBER 1999-41276-005

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

At December 31, 1999, fund level expenditures plus outstanding encumbrances exceeded appropriations by \$25,776 within the Special Revenue Ambulance and Emergency Medical Fund as the Township did not appropriate any monies for this fund during the year.

The Clerk/Treasurer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the fund level to avoid potential overspending. In addition, the Clerk/Treasurer and the Board of Trustees should periodically review the Township's Appropriations Reports to ensure appropriation amounts are posted accurately and timely.

FINDING NUMBER 1999-41276-006

Ohio Rev. Code Section 5705.41(D) requires 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 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 for two exceptions to the above requirements:

Then and Now Certificate: 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.

Amounts 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 1999 and 1998, 37% of expenditures tested were certified after the commitment date of the purchase. Also, neither of the two exceptions were utilized. The Clerk/Treasurer should inform all Township employees of the requirements of Ohio Revised Code Section 5705.41(D). The Township should implement the use of the Then and Now certificates and Blanket Certificates as further permitted by Ohio Revised Code Section 5705.41. However, such certifications should only be used for reoccurring and reasonably predictable matters or emergency matters which may arise from time to time.

Noncompliance (Continued)

FINDING NUMBER 1999-41276-007

Ohio Rev. Code Section 5705.42 requires, in part, that when the state or any department, division, agency, authority or unit 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, the amount is deemed appropriated and shall be recorded as such by the subdivision.

The Township did not initially record Issue II funds received on their behalf from the Ohio Public Works Commission in the amount of \$63,293 during 1998. As a result, an adjustment was made to record the Issue II financial activity on the Township's ledgers and combined financial statements. The Clerk/Treasurer should record all activity related to Issue II funds.

FINDING NUMBER 1999-41276-008

Ohio Rev. Code Section 515.11 requires, in part, that the Board of Trustees shall by resolution, assess against the benefitted lots and parcels of land in the taxing district such portion of the costs of furnishing and maintaining the lights as does not exceed the special benefits resulting from the lighting, and shall certify such costs to the County Auditor.

The Board of Trustees did not certify special assessments for the Special Revenue Lighting Assessment Fund to the County Auditor in 1997 or 1999 which would have been collected by the County Treasurer and distributed by the County Auditor in 1998 and 2000, respectively. As a result, according to estimates by the County Auditor's Office, the Township did not receive revenue in the amount of \$63,470 in 1998 and 2000, respectively, for a total of \$126,940. The Board of Trustees should certify the special assessment total for 2000 to the County Auditor prior to the first Monday in September, 2001.

FINDING NUMBER 1999-41276-009

Ohio Rev. Code Section 742.32 provides that the fiscal officer of each employer shall transmit promptly to the secretary of the Board of Trustees of the Police and Fire Disability and Pension Fund a report of member deductions at such intervals and in such form as the Board requires.

The Township did not remit the Police and Fire Disability and Pension Fund withholdings within the required time. As a result, penalties and interest of roughly \$16,000 were assessed by the Police and Fire Disability Fund and paid by the Township on October 17, 2000. The Township should establish procedures to help ensure that Police and Fire Disability and Pension Fund withholdings are remitted timely.

FINDING NUMBER 1999-41276-010

26 C.F.R. Section 1.6041-1 requires all aggregate payments of \$600 or more to independent contractors be reported on a form 1099-MISC. The Township did not prepare any Form 1099-MISC for 1998. We noted the following contractors should have received a Form 1099-MISC during 1998:

Central Allied Enterprises; Stark Community Dispatch; R.C. Miller; GKL Construction; Pachan Construction; D&A Plumbing and Heating; Kiko Heating; Sander Electric; Bistro Excavating; Alan Krash, Attorney; Raymond Studer, FARA; Roger Westfall, AIA; and all Township volunteer firefighters who received more than \$600 for their services.

The Township should prepare a Form 1099-MISC for all vendors who annually provide more than \$600 in services to the Township.

Noncompliance (Continued)

FINDING NUMBER 1999-41276-011

Ohio Rev. Code Section 135.14 requires a subdivision to have a written investment policy approved by the Treasurer and governing body. This policy is required to be filed with the Auditor of State prior to making any investments unless the average annual amount invested is less than \$100,000, or the monies are invested in only certificates of deposit or STAR Ohio.

Continuously from May 1998 and throughout 1999, the Township invested monies in overnight repurchase agreements which conflicts with the Township's investment policy adopted by the Board of Trustees on September 9, 1996. At December 31, 1999 and 1998, the amounts invested in the overnight repurchase agreements were \$557,289 and \$438,979, respectively. The Board of Trustees should monitor the Clerk/Treasurer's investments to ensure that Township investments are limited to those permitted by Ohio Rev. Code Section 135.14 and the Township's investment policy. The Board of Trustees should also review the Clerk/Treasurer's monthly investment statements and sign/date the statements to evidence their review.

FINDING NUMBER 1999-41276-012

Ohio Rev. Code Section 135.12 states that public governing boards of subdivisions shall designate public depositories and award the public monies of the subdivision to and among the public depositories so designated for a period of five years.

The Township's agreement with the depository institution expired on August 21, 1999. The Township did not have a depository contract on file to cover a period after August 21, 1999, nor was approval of a depository contract, after that date, evidenced in the Board of Trustee minutes.

FINDING NUMBER 1999-41276-013

Ohio Rev. Code Section 135.22 requires the Clerk/Treasurer to complete annual continuing education provided by the Treasurer of State. Without such training, the Treasurer is limited to investments in interim deposits and STAR Ohio.

During 1999 and 1998, the Clerk/Treasurer did not attend and/or complete any annual continuing education programs provided by the Treasurer of State and still invested funds in overnight repurchase agreements. At 1999 and 1998 year ends, 98% and 100% of the Township's bank balances, respectively, were invested in repurchase agreements. The Clerk/Treasurer should either attend continuing education programs or limit the Township's investments to those which do not require training under Ohio Rev. Code Section 135.22. The Board of Trustees should monitor the Clerk/Treasurer to ensure the Clerk/Treasurer completes the annual continuing education programs as required by Ohio Rev. Code Section 135.22.

Noncompliance (Continued)

FINDING NUMBER 1999-41276-014

Ohio Admin. Code Section 117-3-09 requires that:

- A. Each township shall post to each receipts account the estimated amount of money anticipated to be received into the account as specified by the County Budget Commission in its official estimate of balances and receipts set forth in the Certificate of Estimated Resources. This estimated amount shall be entered in the "Balance" column under the heading "Memoranda."
- B. When moneys are received, the amount is to be posted in the cash journal as prescribed in Ohio Admin. Code Section 117-3-08 and then posted to the proper account in the receipts ledger. In posting, the amount shall be entered in the "Amount Received" column and in the "Credit" column and be subtracted from the budget estimate amount "Balance." When properly posted, this "Balance" column will accurately show the amount of money still anticipated to be received for the fiscal year.
- C. At the close of each month, the Township shall rule off the column entitled "Amount Received" and enter the total for the month. The total year-to-date shall be entered on the next line and the column again shall be ruled off.
- D. The date, name of payee, purpose, receipt number, and other information required shall be entered in the appropriate column or space provided.

The Clerk/Treasurer did not post the estimated revenue to be received by account or receipt number to the cash journal nor were the receipts totaled by month. These conditions hampered management's ability to monitor the progress of expected receipt collections. Management could not, on a monthly basis, effectively evaluate whether financial resources were available to meet appropriations or whether appropriations should have been amended. The Clerk/Treasurer should post certified estimated receipts to Township ledgers timely which will enable management to effectively monitor receipt collections and assist the Board of Trustees with budget and cash management decisions.

FINDING NUMBER 1999-41276-015

Ohio Admin. Code Section 117-3-12 requires that pay-in-orders be executed for all monies received by the Township. The Clerk/Treasurer did not prepare pay-ins for the Township activity for 1998. In addition, the Clerk/Treasurer did not always maintain source documentation to support the receipt amount recorded in the Township's ledgers and financial statements. However, source documentation was obtained from various State, County, and Township offices.

The Clerk/Treasurer should prepare pay-ins (duplicate receipts) for all monies received directly or on behalf of the Township. Documentation (i.e., remittance slips, grant award letters, check stubs, etc.) should be attached to the pay-ins to support the amounts recorded on the Township's ledgers and combined financial statements. These procedures will help ensure that source documentation is available for each transaction required to be posted to the receipt journal and cash journal, and will improve accountability over sequentially numbered receipts.

Material Weaknesses

FINDING NUMBER 1999-41276-016

Accounting System/Monthly Cash Reconciliation Process

We noted the following issues during our testing of the Township's 1999 and 1998 monthly cash reconciliations, fund ledger, receipt ledger, appropriation ledger and check register:

- Although the Clerk/Treasurer attempted to reconcile the bank balance to the book balance for each month, those reconciliations were significantly inaccurate and were not performed timely. Consequently, the Board of Trustees was unable to adequately monitor the financial condition of the Township. The Township hired a consultant to reconcile the Township's accounting records for the period January 1, 1998 through September 30, 1999.
- The Clerk/Treasurer made significant and numerous unsupported accounting adjustments on the Township's fund ledger throughout 1999 and 1998 which included an undocumented \$100,000 adjustment to the General Fund balance in July 1998. Some of the adjustments were identified as stale dated and voided checks, while other adjustments were not supported and were subsequently reversed by the Clerk/Treasurer. As a result, the Clerk/Treasurer did not accurately report Township fund balances during 1999 and 1998.
- The Clerk/Treasurer initially did not record \$23,720 in interest earned for the period January 1, 1999 through December 31, 1999, on the Township's receipt ledger. The interest earned but not posted was shown as a reconciling item on the December 31, 1999 cash reconciliation. An adjustment was made to record the interest earned for 1999 on the Township's ledgers and combined financial statements.
- The Clerk/Treasurer's monthly bank statements, outstanding checklists, and accounting records were not maintained in an orderly manner (e.g., the Township hired temporary personnel to sort and file accounting records by vendor and date). As result, duplicate payments were made to vendors; however, the vendors did not accept the duplicate payments and returned the checks. In addition, a 1998 Bureau of Workers' Compensation refund check was found uncashed in the Township's files.
- The Clerk/Treasurer did not deposit cash, checks and currency timely for significant periods of time (up to 58 days) after receiving monies which hindered the Township's ability to pay bills. As a result, numerous penalties were incurred and paid for utilities and payroll tax withholdings.
- The Clerk/Treasurer did not maintain an outstanding encumbrance listing or documentation to support the outstanding encumbrance amounts reported on the 1999 and 1998 annual unaudited financial report.
- 15 checks from February 11, 1999 through June 14, 1999, were documented as voided on the Township's accounting system; however, there was no evidence the checks were actually voided. Review of the Township's subsequent bank statements disclosed these checks were not cashed.
- Check Nos. 20313 through 20327 were recorded twice with different vendors and amounts on January 25, 1999 and February 9, 1999 on the check register; however, the actual checks documented the correct check number, vendor and date according to the supporting invoice.

Material Weaknesses (Continued)

FINDING NUMBER 1999-41276-016 (Continued)

Accounting System/Monthly Cash Reconciliation Process (Continued)

Due to the Clerk/Treasurer's inability to accurately and completely reconcile the Township's cash and investment balances, the above items exposed the Township to certain risks of loss and required numerous adjustments to the financial statements. The Clerk/Treasurer should:

- Prepare accurate and timely monthly bank reconciliations to include monthly posting of earned interest, deposits in transit, and NSF checks. These monthly bank reconciliations should be reviewed and approved by the Board of Trustees
- Compare the current month's outstanding checklist to the previous month's outstanding checklist for errors and omissions, and follow-up on long outstanding checks listed on the monthly bank reconciliation
- Maintain supporting documentation and explanations for adjustments made to the Township's accounting records
- Maintain adequate documentation for the disposition of voided checks which includes proper defacing of the voided check by removing the signature block
- Prepare pay-ins and attach supporting documentation (e.g. remittances, check stubs, etc), and record the receipt of monies to the accounting system timely
- Maintain an outstanding encumbrance listing with documentation to support the amounts recorded on the Township's annual financial report

This will help ensure Township receipt and expenditure activity is properly accounted for; that fund balances reflected on the Township's cash journal are accurately reported; and that all reconciling items are properly supported, as well as minimize the risk of loss.

FINDING NUMBER 1999-41276-017

Reports and Records

Reports detailing the Township's actual receipts and disbursements in comparison to budgeted amounts were not presented to the Board of Trustees for their review and subsequent approval. In addition, the minute records remained significantly incomplete throughout the audit period with the majority of official records prepared by the Clerk/Treasurer not signed or reviewed by the Board of Trustees after a reasonable length of time. Copies of minute records were obtained from former and current Township officials and were compiled to represent the minute record of the Township. As a result, Township officials were not provided with timely information to enable them to monitor the Township's financial position and operating results.

The Clerk/Treasurer should submit to the Board of Trustees, on a monthly basis, all pertinent financial reports concerning the Township. These reports should include the year-to-date budgeted receipts versus the year-to-date actual revenue and the year-to-date appropriations versus the actual expenditures. Each month, the Clerk/Treasurer should present the minutes from the prior meeting, the monthly detail of receipt and expenditures, the pending and paid warrant listings, and the monthly bank reconciliation for Board of Trustee review and approval. The minute book should be prepared timely and reflect all official actions of the Board of Trustees. These procedures will help ensure that all actions of the Board of Trustees are documented, and will provide the Board of Trustees with information relevant to the monitoring of Township financial and business operations.



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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
MAY 10, 2001**