
CANAAN TOWNSHIP
MADISON COUNTY

REGULAR AUDIT

YEARS ENDED DECEMBER 31, 2004 & 2003

Whited Seigneur Sams & Rabe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

*** WSSR ***

213 South Paint Street • Chillicothe, Ohio 45601-3828
(740) 702-2600 – Voice • (740) 702-2610 – Fax • wssr@horizonview.net



**Auditor of State
Betty Montgomery**

Board of Trustees
Canaan Township
8055 US Highway 42
Plain City, OH 43064

We have reviewed the *Report of Independent Auditor* of Canaan Township, Madison County, prepared by Whited Seigneur Sams & Rahe, LLP, for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Auditor* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Auditor* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 30, 2006

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**CANAAN TOWNSHIP
MADISON COUNTY, OHIO**

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Whited Seigneur Sams & Rahe LLP

CERTIFIED PUBLIC ACCOUNTANTS

Jerry B. Whited, CPA
Donald R. Seigneur, CPA
John R. Sams, CPA

**** WSSR ****

Barry L. Rahe, CPA
Kathleen M. Alderman, CPA
Nathan C. Baldwin, CPA

213 South Paint Street • Chillicothe, Ohio 45601-3828
(740) 702-2600 – Voice • (740) 702-2610 – Fax • wssr@horizonview.net

July 15, 2005

Board of Trustees
Canaan Township
Madison County
7375 MV High Rd
Plain City, OH 43064

Report of Independent Auditor

We have audited the accompanying financial statements of Canaan Township, Madison County, Ohio (the Township) as of and for the years ended December 31, 2004 and 2003. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audits 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. We believe that our audits provide a reasonable basis for our opinion.

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 accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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 paragraph, the financial statements referred to above 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, 2004 and 2003, 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 of Canaan Township, Madison County as of December 31, 2004 and 2003 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 a report dated July 15, 2005, 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. That report describes the scope of our testing of internal controls over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of audits performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audits.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**CANAAN TOWNSHIP
MADISON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Memorandum Only Total</u>
CASH RECEIPTS			
Local Taxes	\$ 53,829	\$ 0	\$ 53,829
Intergovernmental Receipts	33,123	71,157	104,280
Licenses, Permits and Fees	1,497	1,250	2,747
Earnings on Investments	3,231	2,228	5,459
Other Revenue	<u>10,424</u>	<u>950</u>	<u>11,374</u>
TOTAL CASH RECEIPTS	102,104	75,585	177,689
CASH DISBURSEMENTS			
General Government	61,266	0	61,266
Public Safety	0	0	0
Public Works	3,143	47,897	51,040
Health	1,981	3,703	5,684
Capital Outlay	<u>41,132</u>	<u>23,391</u>	<u>64,523</u>
TOTAL CASH DISBURSEMENTS	<u>107,522</u>	<u>74,991</u>	<u>182,513</u>
TOTAL CASH RECEIPTS OVER/ (UNDER) CASH DISBURSEMENTS	(5,418)	594	(4,824)
Fund Cash Balances, January 1, 2004	<u>170,270</u>	<u>124,727</u>	<u>294,997</u>
Fund Cash Balances, December 31, 2004	<u>\$ 164,852</u>	<u>\$ 125,321</u>	<u>\$ 290,173</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**CANAAN TOWNSHIP
MADISON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Memorandum Only Total</u>
CASH RECEIPTS			
Local Taxes	\$ 52,814	\$ 0	\$ 52,814
Intergovernmental Receipts	27,564	67,290	94,854
Licenses, Permits and Fees	1,493	2,100	3,593
Earnings on Investments	2,715	1,678	4,393
Other Revenue	<u>118</u>	<u>4,429</u>	<u>4,547</u>
TOTAL CASH RECEIPTS	84,704	75,497	160,201
CASH DISBURSEMENTS			
General Government	67,475	0	67,475
Public Safety	0	1,790	1,790
Public Works	1,431	42,520	43,951
Health	1,211	2,532	3,743
Capital Outlay	<u>161,974</u>	<u>8,038</u>	<u>170,012</u>
TOTAL CASH DISBURSEMENTS	<u>232,091</u>	<u>54,880</u>	<u>286,971</u>
TOTAL CASH RECEIPTS OVER/ (UNDER) CASH DISBURSEMENTS	(147,387)	20,617	(126,770)
OTHER FINANCING RECEIPTS/ (DISBURSEMENTS)			
Sales of Assets	<u>46,000</u>	<u>0</u>	<u>46,000</u>
TOTAL OTHER FINANCING RECEIPTS/ (DISBURSEMENTS)	<u>46,000</u>	<u>0</u>	<u>46,000</u>
EXCESS OF CASH RECEIPTS AND OTHER FINANCING RECEIPTS OVER/ (UNDER) CASH DISBURSEMENTS AND OTHER FINANCING DISBURSEMENTS	(101,387)	20,617	(80,770)
Fund Cash Balances, January 1, 2003	<u>271,657</u>	<u>104,110</u>	<u>375,767</u>
Fund Cash Balances, December 31, 2003	<u>\$ 170,270</u>	<u>\$ 124,727</u>	<u>\$ 294,997</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**CANAAN TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Description of the Entity**

Canaan Township, Madison 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, road and bridge maintenance and cemetery operations.

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

- **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.

- **Cash and Investments**

Investments are reported as part of the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

- **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:

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

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

**CANAAN TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Budgetary Process**

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

- **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. Appropriations lapse at year-end.
- **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.
- **Encumbrances** - The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are cancelled and re-appropriated in the subsequent year.

A summary of 2004 and 2003, budgetary activity appears in Note 3.

- **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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$ 290,173	\$ 294,997

- **Deposits**

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

**CANAAN TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003, were as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 75,200	\$ 102,104	\$ 26,904
Special Revenue	<u>66,435</u>	<u>75,585</u>	<u>9,150</u>
Total	<u>\$ 141,635</u>	<u>\$ 177,689</u>	<u>\$ 36,054</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 245,000	\$ 107,522	\$ 137,478
Special Revenue	<u>186,000</u>	<u>74,991</u>	<u>111,009</u>
Total	<u>\$ 431,000</u>	<u>\$ 182,513</u>	<u>\$ 248,487</u>

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 77,274	\$ 130,704	\$ 53,430
Special Revenue	<u>61,840</u>	<u>75,497</u>	<u>13,657</u>
Total	<u>\$ 139,114</u>	<u>\$ 206,201</u>	<u>\$ 67,087</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 344,797	\$ 232,091	\$ 112,706
Special Revenue	<u>146,886</u>	<u>54,880</u>	<u>92,006</u>
Total	<u>\$ 491,683</u>	<u>\$ 286,971</u>	<u>\$ 204,712</u>

4. 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.

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.

**CANAAN TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

4. PROPERTY TAX (Continued)

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

5. RETIREMENT SYSTEMS

The Township 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 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. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

6. RISK MANAGEMENT

- **Risk Pool Membership**

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 insurance for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

- **Casualty Insurance**

OTARMA retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

- **Property Insurance**

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, the Travelers Indemnity Company provides coverage in excess of \$10,000.

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.

**CANAAN TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

6. RISK MANAGEMENT(Continued)

- **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, 2003 and 2002 (the latest information available):

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$ 27,792,223	\$23,757,036
Liabilities	<u>(11,791,300)</u>	<u>(9,197,512)</u>
Retained Earnings	<u>\$ 16,000,923</u>	<u>\$14,559,524</u>
 <u>Property Coverage</u>		
Assets	\$ 6,791,060	\$ 6,596,996
Liabilities	<u>(750,956)</u>	<u>(1,204,326)</u>
Retained Earnings	<u>\$ 6,040,104</u>	<u>\$ 5,392,670</u>

Whited Seigneur Sams & Rahe LLP

CERTIFIED PUBLIC ACCOUNTANTS

Jerry B. Whited, CPA
Donald R. Seigneur, CPA
John R. Sams, CPA

*** WSSR ***

Barry L. Rahe, CPA
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July 15, 2005

Board of Trustees
Canaan Township
Madison County
7375 MV High Rd
Plain City, OH 43064

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

We have audited the accompanying financial statements of Canaan Township, Madison County, Ohio (the Township) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 15, 2005, 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 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 July 15, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* listed as Finding Number 2004-001. We, also, noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 15, 2005.

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

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**CANAAN TOWNSHIP
MADISON COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

Finding 2004-001

Ohio Rev. Code Section 505.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in Section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of Section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

- a) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under Section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium that they incur for insurance policies described in division (A) of Section 505.60 of the Revised Code that they otherwise obtain.
- b) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee, beyond which the township will not reimburse the officer or employee.
- c) That resolution states the specific benefits listed in division (A) of Section 505.60 of the Revised code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of section 505.60 of the Revised Code.

A payment in the amount of \$1,100 was made by the Township on behalf of Trustee Joseph Beachy's spouse to the United Bethel Brotherhood Aid. The United Bethel Brotherhood Aid collected this payment on behalf of the Conservative Amish Mennonite Group based out of Middlebury, Indiana. However, according to the Ohio Department of Insurance, United Bethel Brotherhood Aid is "not" authorized to transact business in the State of Ohio, and thus may not provide the "insurance policies" that are subject of Ohio Rev. Code Section 505.60 and 505.601. In addition, R.C. Section 505.601 limits reimbursement of insurance premiums to township officers and employee's spouses are not eligible for reimbursement of their insurance premium.

This matter has been referred to the Office of the Auditor of State of Ohio for further review and disposition.

**CANAAN TOWNSHIP
MADISON COUNTY, OHIO
STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number 2002-001

Ohio Rev. Code 5705.41 (D) states that no subdivision shall make any contract or order any expenditure of money unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

Then and Now Certificate : This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing authority.

Amounts less than \$100 for counties, or less than \$1,000 (\$3,000 effective April 7, 2003) for other political subdivisions, 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.

Sixty-one percent of the expenditures tested were not certified by the Clerk prior to the commitment being incurred, nor were they certified using then-and-now certification. This procedure is not only required by Ohio Law, but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Township funds being over expended or exceeding budgetary spending limitations as set by the Board.

We recommend that all monies be encumbered via a purchase order prior to entering into an obligation to purchase goods and/or services.

Status: Partially Implemented. Township has started to make better use of super blanket, blanket, then and now certificates and regular purchase orders. There is no material noncompliance but refer to management letter comments.

Finding Number 2002-002

Finding for Recovery – Reimbursement of Insurance Premiums

Canaan Township passed a resolution in December 2002 to reimburse its Trustees for their out-of-pocket insurance premiums pursuant to Ohio Rev. Code Section 505.601. Trustee Clyde Archer was reimbursed for insurance premiums on December 2, 2002. He received \$2,328 - \$924 of which was for his spouse's portion of the premium payment. Ohio Const. Art II, Section 20 prohibits "in-term" increases (or decreases) in compensation, and state that the General Assembly shall fix the compensation of all officers, but no change therein shall affect the salary of any officer during his existing term. The reimbursement for the insurance premium payments constitutes compensation and since the resolution authorizing the reimbursements was passed during Mr. Archer's same term of office, this constitutes a prohibited in-term increase. In addition, R.C. Section 505.601 limits reimbursement of insurance premium to township officers and employees.

**CANAAN TOWNSHIP
MADISON COUNTY, OHIO
STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number 2002-002 (Continued)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against the following: Clyde Archer, Trustee; Phyllis Sparks, Clerk and OTARMA their bonding company, jointly and severally, in the amount of two thousand three hundred twenty eight dollars (\$2,328) and in favor of the General Fund.

Status: \$2,328 was received from OTARMA on March 16, 2004. Mr. Archer is no longer a trustee.

Finding Number 2002-003

Finding for Recovery – Reimbursement of Insurance Premiums

Trustee Don Whitmer was reimbursed, pursuant to Ohio Revised Code Section 505.601, for his insurance deductibles that he paid directly to individual providers in the amount of \$4,145.50. According to Ohio Rev. Code Section 505.60(F)(2), however, the term "premium" as used in Ohio Rev. Code Section 505.601 does not include any deductible or health care costs paid directly by a township officer or employee. As a result, a township officer or employee may not be reimbursed for a deductible pursuant to Ohio Rev. Code section 505.601.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against the following: Don Whitmer, Trustee, Phyllis Sparks, Clerk and OTARMA their bonding company, jointly and severally, in the amount of four thousand one hundred forty five dollars and fifty cents. (\$4,145.50) and in favor of the General Fund.

Status: \$3,583.76 was received from OTARMA on March 16, 2004 plus \$561.74 was received on May 29, 2004 from CNA Surety. Mr. Whitmer is no longer reimbursed for deductible amounts.

Finding Number 2002-004

Finding for Recovery – Reimbursement of Insurance Premiums

Ohio Rev. Code Section 505.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in Section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of Section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

- a) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under Section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium that they incur for insurance policies described in division (A) of Section 505.60 of the Revised Code that they otherwise obtain.
- b) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee, beyond which the township will not reimburse the officer or employee.

**CANAAN TOWNSHIP
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Finding for Recovery 2002-004 - (Continued)

- c) That resolution states the specific benefits listed in division (A) of Section 505.60 of the Revised code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of section 505.60 of the Revised Code.

Quarterly assessment payments in the amount of \$450 were made by the Township on behalf of Trustee Joseph Beachy spouse (\$3,750) to the United Bethel Brotherhood Aid. The United Bethel Brotherhood Aid collected these payments on behalf of the Conservative Amish Mennonite Group based out of Middlebury, Indiana. However, according to the Ohio Department of Insurance, United Bethel Brotherhood Aid is "not" authorized to transact business in the State of Ohio, and thus may not provide the "insurance policies" that are subject of Ohio Rev. Code Section 505.60 and 505.601. In addition, R.C. Section 505.601 limits reimbursement of insurance premiums to township officers and employee's spouses are not eligible for reimbursement of their insurance premium.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against the following: Joseph Beachy, Trustee; Phyllis Sparks, Clerk and OTARMA, their bonding company, jointly and severally, in the amount of three thousand seven hundred fifty dollars (\$3,750) and in favor of the General Fund.

Status: \$3,750 was received from OTARMA on March 16, 2004. Mr. Beachy is no longer a trustee.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CANAAN TOWNSHIP

MADISON 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
SEPTEMBER 12, 2006**