

**CANTON TOWNSHIP, OHIO
STARK COUNTY**

INDEPENDENT AUDITOR'S REPORT

**FOR THE YEARS ENDED
DECEMBER 31, 2003 AND DECEMBER 31, 2002**



Mary Taylor, CPA
Auditor of State

Board of Trustees
Canton Township
4711 Central Avenue S.E.
Canton, Ohio 44707

We have reviewed the *Independent Auditor's Report* of Canton Township, Stark County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2002 through December 31, 2003. 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.

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. Canton Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 11, 2007

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**CANTON TOWNSHIP, OHIO
STARK COUNTY
FOR THE YEARS ENDED
DECEMBER 31, 2003 AND DECEMBER 31, 2002**

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INDEPENDENT AUDITOR'S REPORT

Canton Township Trustees
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, 2003 and 2002. 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.

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

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

We were unable to obtain sufficient documentation supporting fines, licenses, and permit receipts within Special Revenue Funds stated at \$132,844 and \$121,145 at December 31, 2003 and 2002. We were also unable to obtain sufficient documentation supporting miscellaneous receipts in the General Fund stated at \$82,719 and \$41,445 and Special Revenue Funds stated at \$115,498 and \$47,090 at December 31, 2003 and 2002.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence supporting receipts for fines, licenses, and permits; and miscellaneous receipts, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

INDEPENDENT AUDITOR'S REPORT (continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of 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.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

May 31, 2007

Canton Township, Stark County
Combined Statement of Receipts, Disbursements and Changes in Fund Balances
Governmental Fund Types
For the Year Ended December 31, 2003

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Receipts			
Property Taxes	\$166,185	\$2,029,477	\$2,195,662
Intergovernmental Receipts	302,283	385,147	687,430
Fines, Licenses, and Permits	0	132,844	132,844
Special Assessments	0	60,316	60,316
Interest	7,940	1,990	9,930
Miscellaneous	82,719	115,498	198,217
<i>Total Receipts</i>	<u>559,127</u>	<u>2,725,272</u>	<u>3,284,399</u>
Disbursements			
Current			
Security of Persons and Property	0	1,947,202	1,947,202
Leisure Time Activities	0	23,119	23,119
Community Environment	104,259	30,859	135,118
Transportation	147,112	850,063	997,175
General Government	441,755	0	441,755
Principal Retirement	0	101,562	101,562
Interest & Fiscal Charges	0	21,724	21,724
<i>Total Disbursements</i>	<u>693,126</u>	<u>2,974,529</u>	<u>3,667,655</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(133,999)</u>	<u>(249,257)</u>	<u>(383,256)</u>
Other Financing Sources (Uses)			
Transfers-In	0	5,316	5,316
Transfers-Out	(5,316)	0	(5,316)
Advances-In	0	16,889	16,889
Advances-Out	(16,889)	0	(16,889)
<i>Total Other Financing Sources (Uses)</i>	<u>(22,205)</u>	<u>22,205</u>	<u>0</u>
<i>Excess of Receipts and Other Financing Sources Under Disbursements and Other Financing Uses</i>	<u>(156,204)</u>	<u>(227,052)</u>	<u>(383,256)</u>
<i>Fund Cash Balance, January 1, 2003</i>	<u>126,275</u>	<u>1,059,907</u>	<u>1,186,182</u>
<i>Fund Cash (Deficit) Balance, December 31, 2003</i>	<u>(\$29,929)</u>	<u>\$832,855</u>	<u>\$802,926</u>

The accompanying notes are an integral part of the financial statements.

Canton Township, Stark County
Combined Statement of Receipts, Disbursements and Changes in Fund Balances
Governmental Fund Types
For the Year Ended December 31, 2002

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts				
Property Taxes	\$164,729	\$2,036,881	\$0	\$2,201,610
Intergovernmental Receipts	314,819	382,147	0	696,966
Fines, Licenses, and Permits	0	121,145	0	121,145
Special Assessments	0	59,143	0	59,143
Interest	14,888	1,733	0	16,621
Miscellaneous	41,445	47,090	0	88,535
<i>Total Receipts</i>	<u>535,881</u>	<u>2,648,139</u>	<u>0</u>	<u>3,184,020</u>
Disbursements				
Current				
Security of Persons and Property	96,626	1,301,099	0	1,397,725
Leisure Time Activities	0	70,847	0	70,847
Community Environment	34,573	16,572	0	51,145
Transportation	0	687,074	0	687,074
General Government	498,141	0	0	498,141
Principal Retirement	0	64,537	0	64,537
Interest & Fiscal Charges	0	20,054	0	20,054
Capital Outlay	0	550,075	0	550,075
<i>Total Disbursements</i>	<u>629,340</u>	<u>2,710,258</u>	<u>0</u>	<u>3,339,598</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(93,459)</u>	<u>(62,119)</u>	<u>0</u>	<u>(155,578)</u>
Other Financing Sources (Uses)				
Proceeds of Loan	0	550,075	0	550,075
Transfers-In	3,986	18,350	7,741	30,077
Transfers-Out	(26,091)	0	(3,986)	(30,077)
Advances-In	0	88,896	0	88,896
Advances-Out	(88,896)	0	0	(88,896)
<i>Total Other Financing Sources (Uses)</i>	<u>(111,001)</u>	<u>657,321</u>	<u>3,755</u>	<u>550,075</u>
<i>Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</i>	<u>(204,460)</u>	<u>595,202</u>	<u>3,755</u>	<u>394,497</u>
<i>Fund Cash Balance (Deficit), January 1</i>	<u>330,735</u>	<u>464,706</u>	<u>(3,755)</u>	<u>791,686</u>
<i>Fund Cash Balance, December 31</i>	<u>\$126,275</u>	<u>\$1,059,908</u>	<u>\$0</u>	<u>\$1,186,183</u>

The accompanying notes are an integral part of the financial statements.

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Canton Township, Stark County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, fire protection and ambulance services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Township deposits cash in a checking account and a now 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Motor Vehicle License Tax Fund - This fund receives State motor vehicle license tax money for constructing, maintaining, and repairing Township roads and bridges.

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

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

Fire District Tax Fund - This fund receives property tax levy revenues to operate the fire department.

Fire Special Levy Tax Fund - This fund receives property tax levy revenues to purchase and maintain fire department equipment.

Ambulance and Emergency Medical Fund - This fund receives charges for services to provide ambulance and emergency medical services.

Lighting Assessment Fund - This fund receives special assessment revenues to provide street lighting.

Permissive Motor Vehicle License Fund - This fund receives permissive motor vehicle taxes to maintain and repair 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 used to account for proceeds from the Ohio Public Works Commission Issue II funds. These funds were used to construct a bridge. The project was completed in 2002.

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, 2002 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. The Township did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2003**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2003	2002
Demand Deposits	\$802,926	\$91,077
Mutual Fund Investment Sweep Account	0	1,095,106
Total Deposits and Investments	\$802,926	\$1,186,183

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institutions public entity deposit pool.

Investments: Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$447,425	\$559,127	\$111,702
Special Revenue	2,705,123	2,730,588	25,465
Capital Projects	1,107,819	0	(1,107,819)
Total	\$4,260,367	\$3,289,715	(\$996,117)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$816,821	\$693,126	\$123,695
Special Revenue	3,009,450	2,974,529	34,921
Capital Projects	1,003,000	0	1,003,000
Total	\$4,829,271	\$3,667,655	\$1,161,616

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2003**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$548,472	\$539,867	(\$8,605)
Special Revenue	2,546,887	3,216,564	669,677
Capital Projects	1,113,833	0	(1,113,833)
Total	\$4,209,192	\$3,756,431	(\$452,761)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$810,920	\$655,431	\$155,489
Special Revenue	3,124,615	2,710,258	414,357
Capital Projects	1,107,000	0	1,107,000
Total	\$5,042,535	\$3,365,689	\$1,676,846

4. NONCOMPLIANCE

Contrary to Ohio Rev. Code Section 5705.41(D), the Township did not always certify the availability of funds prior to the obligation of expenditures.

Contrary to Ohio Rev. Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority by approximately \$137,047 in the Special Revenue Fire Limited, and by approximately \$928 in the Special Revenue EMS Fund and by \$8,000 in the Special Revenue Fire Loss Fund at December 31, 2003.

Contrary to Ohio Rev. Code Section 5705.10, for years ended December 31, 2003 the General Fund and the Special Revenue Fire District Fund had deficit fund balances of \$29,929 and \$16,134, respectively.

Contrary to Ohio Rev. Code Section 5705.39, total appropriations exceeded total estimated resources at December 31, 2002, in the following Special Revenue Funds: Motor Vehicle License Tax Fund, Gasoline Tax Fund, and Lighting Assessment Fund. At December 31, 2003, total appropriations exceeded total estimated resources in the General Fund, the Special Revenue Operation Fund, Park Fund and Recycling Fund. In addition, the Township did not always obtain certificates from the County

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2003**

4. NONCOMPLIANCE (Continued)

Auditor that appropriations from each fund did not exceed the total Amended Official Estimate of Resources for certain appropriation and estimated resource amendments.

Contrary to Ohio Rev. Code Section 5705, 5705.15 and 5705.16 require proper authorization of transfers. The Township transferred funds without having proper authorization and also made transfers contrary to amounts that were authorized.

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 did not provide a notice of exemption that the Clerk/Treasurer was not subject to the continuing education requirements. For both 2003 and 2002 the Clerk/Treasurer only needed to provide notice of exemption.

Contrary to Ohio Rev. Code Section 149.351, requires that public records not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for the Ohio Rev. Code Sections 148.38 to 149.42. Several public records were not on file and could not be located by Township personnel.

5. PROPERTY TAX

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

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

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

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2003**

6. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. 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, 2003.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Property and general liability;
- Vehicles;
- Inland Marine;
- Wrongful Acts;
- Electronic Data Processing; and
- Crime.

8. DEBT

In May 2002, the Township financed the purchase of five ambulances. The loan will be paid off in 60 monthly payments. Changes in the loan obligation was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending</u> <u>Balance</u>
2002	\$0	\$550,075	\$64,537	\$485,538
2003	485,538	0	101,562	383,976

Future annual principal and interest payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2004	\$107,571	\$19,313
2005	113,936	12,948
2006	120,677	6,208
2007	<u>41,792</u>	<u>503</u>
Total	<u>\$383,976</u>	<u>\$38,972</u>

9. 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.

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2003**

10. 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.

11. 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-term 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.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Canton Township Trustees
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, 2003 and 2002, and have issued our report thereon dated May 31, 2007. The report on the combined statements was qualified because we were unable to obtain sufficient supporting documentation for fines, licenses and permit receipts and miscellaneous receipts. Except as discussed in the preceding sentence, we conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions 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 2003-012 through 2003-016.

A material weakness is a reportable 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 caused by error or fraud 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 2003-012 through 2003-016 to be material weaknesses.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 through 2003-011.

We also noted certain additional matters that we reported to management of the Township in a separate letter dated May 31, 2007.

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

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

May 31, 2007

CANTON TOWNSHIP
STARK COUNTY

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain</u>
2001-41276-001	Ohio Rev. Code Section 5705.41(D) During 2001 and 2002, the Township Clerk did not always certify the availability of funds prior to commitments being made.	No	Not corrected, reissued as Finding number 2003-001
2001-41276-002	Ohio Rev. Code Section 5705.41(B) In 2001 and 2000, the Township had expenditures which exceeded appropriations in various funds.	No	Not corrected, reissued as Finding number 2003-002
2001-41276-003	Ohio Rev. Code Section 5705.39 During 2001 and 2000, total appropriations exceeded total estimated resources at year end in various funds.	No	Not corrected, reissued as Finding number 2003-003
2001-41276-004	Ohio Rev. Code Section 5705.40 Appropriations were increased in several funds without formal approval of the Board.	No	Due to ledgers being incomplete we were unable to determine if appropriations were increased without formal approval of Board. Appropriations for audit purposes were taken from Board actions.
2001-41276-005	Ohio Rev. Code Section 5705.42 Township did not record Issue II funds.	Yes	Finding no longer valid.
2001-41276-006	Ohio Rev. Code Section 515.11 Board did not certify special assessments to County Auditor.	Yes	Corrected

CANTON TOWNSHIP
STARK COUNTY

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

2001-41276-007	Canton Township investment policy requires monies to be invested in CD's. Township invested in money market sweep account.	No	Not corrected, reissued as Finding number 2003-11
2001-41276-008	Ohio Rev. Code Section 5705.10 Negative fund cash balances and posting receipts to incorrect funds.	No	Not corrected, reissued as Finding number 2003-004
2001-41276-009	Ohio Rev. Code Section 149.351 Public records were note on file and could not be located.	No	Not corrected, reissued as Finding number 2003-05
2001-41276-010	Ohio Rev. Code Section 135.12 Township to have depository agreement with public depositories.	Yes	Corrected
2001-41276-011	Ohio Rev. Code Section 135.22 Clerk/Treasurer did not attend and/or complete annual continuing education programs provided by the Treasurer of State.	No	Not corrected, reissued as Finding number 2003-006
2001-41276-012	Reports and Records Monthly reports not presented to the Board by Clerk.	No	Not corrected, reissued as Finding number 2003-015
2001-41276-013	Monthly cash reconciliations process, Clerk not accurately and completely reconciling Township cash and investments balances with Township books.	No	Not corrected, reissued as Finding number 2003-12

CANTON TOWNSHIP
STARK COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS

NONCOMPLIANCE CITATIONS

Finding Number 2003-001

Section 5705.41(D), Revised Code, requires that no subdivision shall make any contract or order any expenditures of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to an appropriate fund free from any previous encumbrances.

Further, contracts and other orders or expenditures lacking prior certification should be null and 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:

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

- A. 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.
- B. Amounts of 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 2002 and 2003, 43% and 59%, respectively, of the expenditures tested, the certification of the fiscal officer was not done. In addition, neither of the two exceptions noted above were utilized. As a result of the above, the Township could inadvertently over expend certain appropriations. The Township should implement use of Then and Now Certificates and Blanket Certificates. The Township should also inform all Township employees of the requirements of this Ohio Revised Code Section.

Corrective Action: Contact Person: Ron Smith, Fiscal Officer

Current fiscal officer is preparing certification prior to the making of any contract or order of any expenditure.

CANTON TOWNSHIP
STARK COUNTY
SCHEDULE OF AUDIT FINDINGS

NONCOMPLIANCE CITATIONS (continued)

Finding Number 2003-002

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

Budgetary expenditures plus outstanding encumbrances exceeded appropriations in the following funds at December 31:

Year	Fund	Appropriations	Budgetary Expenditures	Variance
2003	Fire Limited	\$1,356,147	\$1,493,194	(\$137,047)
	EMS	124,000	124,928	(928)
	Fire Loss	67,804	72,900	(8,000)
2002	Fire Limited	1,418,080	1,478,416	(60,336)

Corrective Action: Contact Person: Ron Smith, Fiscal Officer

Corrected in 2004

Finding Number 2003-003

Section 5705.39, Revised Code, requires that total appropriations not exceed total estimated resources for 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.

The following funds had appropriations in excess of estimated resources:

Year	Fund	Estimated Resources	Appropriations	Variance
2003	General	\$573,700	\$816,821	(\$243,121)
	Fire Operation	319,561	434,500	(114,939)
	Park	67,804	72,900	(5,096)
	Recycling	4,199	5,000	(801)
2002	Motor Vehicle License Tax	39,227	66,000	(26,773)
	Gasoline Tax	14,906	32,000	(17,094)
	Lighting Assessment	(10,940)	89,000	(99,940)

Estimated resources for the Lighting assessment fund are negative because the fund had a negative fund balance at January 1, 2002 and estimated resources were not sufficient to eliminate the negative balance.

CANTON TOWNSHIP
STARK COUNTY
SCHEDULE OF AUDIT FINDINGS

NONCOMPLIANCE CITATIONS (continued)

Corrective Action: Contact Person: Ron Smith, Fiscal Officer

Appropriations approved by Stark County Auditor. Fund status report given to Board of Trustees bi-weekly.

Finding Number 2003-004

Section 5705.10 requires that monies paid into any fund be used only for the purposes for which such fund is established. The Township had negative cash balances as follows:

<u>December 2003</u>	<u>Negative</u> <u>Balance</u>
General Fund	\$29,929
Fire District	16,134

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 ensure receipts are posted accurately and 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.

Corrective Action: Contact Person: Ron Smith, Fiscal Officer

Corrected in 2004. Receipts entered into proper fund.

Finding Number 2003-005

Section 149.351, Revised Code, requires that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by Ohio Revised Code, Section 149.38 through 149.42

The Township was unable to locate the following documents:

- 2002 Tax Budget
- Supporting documentation for all receipts
- 8 cancelled checks
- Documentation to support 12 disbursements
- 6 purchase orders
- Township investment policy
- Various receipt books

The Board of Trustees must ensure that all Township public records are maintained in accordance with the above section.

CANTON TOWNSHIP
STARK COUNTY
SCHEDULE OF AUDIT FINDINGS

NONCOMPLIANCE CITATIONS (continued)

Corrective Action: Contact Person: Ron Smith, Fiscal Officer

All records are now maintained at the Township administration office.

Finding Number 2003-006

Section 135.22 Revised Code, requires subdivision treasurers to complete annual continuing education programs provided by the Treasurer of State. The continuing education requirement does not apply to a subdivision treasurer who annually provides a notice of exemption to the Auditor of State, certified by the Treasurer of State, that the treasurer is not subject to the continuing education requirements because the treasurer invests or deposits public funds in the following investments only:

- 1) Interim deposits
- 2) Star Ohio
- 3) No-load money market mutual funds

We were provided no evidence that the former Clerk completed annual continuing education provided by the Treasurer of State or a notice of exemption that the clerk was not subject to the continuing education requirements. Based on the investments held by the Township in 2002 and 2003, the clerk would only need to provide a notice of exemption.

Corrective Action: Contact Person: Ron Smith, Fiscal Officer

Current clerk is completing annual continuing education as required.

Finding Number 2003-007

Section 135.21 and 5705.10 Revised Code, as a general rule, interest earned must be credited to the general fund, with the following exceptions:

-Interest earned on money derived from a Motor Vehicle License or Fuel Tax must follow the principal (Article XII, Section 5a, Ohio Const. and 1982 Op. Atty Gen. No. 82-031);

-Interest earned on money received from the federal government may be due to the fund to which the principle belongs.

Interest earnings for both 2003 and 2002 were not being distributed per above. The interest allocation has been corrected for financial reporting purposes.

Corrective Action: Contact Person: Ron Smith, Fiscal Officer

As of 2004, interest earned is credited to the General Fund, Motor Vehicle, Gasoline Tax, and Permissive Road Tax funds.

CANTON TOWNSHIP
STARK COUNTY
SCHEDULE OF AUDIT FINDINGS

NONCOMPLIANCE CITATIONS (continued)

Finding Number 2003-008

Section 5705.14, 5705.15 and 5705.16, Revised Code, provides guidelines pertaining to allowable interfund transfers. Generally, before an interfund transfer can be made, a resolution of the taxing authority of the political subdivision shall be passed by a majority of the governing board. In some instances, the taxing authority needs to prepare a petition to be presented to the Tax Commissioner and to the Court of Common Pleas of the County, requesting approval of said transfers.

During FY 2002 and FY 2003, the Township made transfers without proper authorization, and also made transfers that were contrary to the authorized amounts as follows:

Year	Fund	Recorded	Authorized	Variance	Recorded	Authorized	Variance
		Transfer Out	Transfer Out		Transfer In	Transfer In	
2002	Faircrest Project	\$3,986	0	(\$3,986)	\$0	\$0	\$0
	General Fund	26,091	10,214	(15,878)	3,986	0	3,986
	Motor Vehicle License Tax	0	0	0	5,149	0	5,149
	Park Advisory Fund	0	0	0	13,201	4,200	9,001
	Cheyenne Bridge Project	0	0	0	7,741	6,013	1,728
	Total		\$30,078	\$10,214	(\$19,864)	\$30,077	\$10,213
2003	Cheyenne Bridge Project	\$0	\$2,259	(\$2,259)	\$0	\$0	\$0
	Road and Bridge Fund	0	0	0	0	2,259	2,259
	General Fund	0	15,000	(15,000)	0	5,000	5,000
	Park Fund	0	0	0	0	15,000	15,000
	Fire Fund	0	5,000	(5,000)	0	0	0
			\$0	\$22,259	(\$22,259)	\$0	\$22,259

Interfund cash advances are subject to the following requirements:

- a. Any advance must be clearly labeled as such and are intended to temporarily reallocate cash from one fund to another and involve an explanation of repayment;
- b. In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash for the same purpose for which the fund receiving the cash was established: and
- c. Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include:

1. A special statement that the transaction is an advance of cash; and

CANTON TOWNSHIP
STARK COUNTY
SCHEDULE OF AUDIT FINDINGS

NONCOMPLIANCE CITATIONS (continued)

2. An indication of the money (fund) from which it is expected that repayment will be made.

The following advances were not authorized by a formal resolution:

Year	Advance From	Advance To	Amount
2002	General Fund	Park Advisory	\$100
2002	General Fund	Lighting Assessment	88,796
2003	General Fund	Fire District	1,889
2003	General Fund	Park Advisory	15,000

If, after an advance is made, the taxing authority determines that the transaction should, in fact, be treated as a transfer (repayment is no longer expected) the following procedures should be followed:

1. The necessary formal procedures for approval of the transfer should be completed including, if necessary, approval of the Commissioner of Tax Equalization and of the Court of Common Pleas;
2. The transfer should be formally recorded on the records of the subdivision; and
3. The entries recording the cash advance should be reversed.

The following past advances have not been repaid:

Year	Advance From	Advance To	Amount
2002	General Fund	Park Advisory	100
2002	General Fund	Lighting Assessment	88,796
2003	General Fund	Fire District	1,889
2003	General Fund	Park Advisory	15,000

Corrective Action: Contact Person: Ron Smith, Fiscal Officer

The Board of Trustees will approve all transfers and advances.

Finding Number 2003-009

Ohio Admin. Code Section 117-2-02(A) requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Accounting records should include the following:

CANTON TOWNSHIP
STARK COUNTY
SCHEDULE OF AUDIT FINDINGS

NONCOMPLIANCE CITATIONS (continued)

1. Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipt ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund. The amount, date, name of the payor, purpose, receipt number, and other information required for the transaction to be recorded on this ledger.
3. Appropriation ledger, which may assemble and classify disbursements or expenditures/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.

The former Township Clerk did not post all receipts and expenditures to the books, nor were receipts and expenditures posted timely or accurately to the correct funds and accounts. As a result, the receipt ledger and appropriation ledger were not accurate and required the Township to contract with consultants to reconstruct the transactions so that the Township could provide accurate financial information for audit.

Corrective Action: Contact Person: Ron Smith, Fiscal Officer

The Township now maintains an accounting system and records to properly report Township financial activity.

Finding Number 2003-010

Ohio Revised Code, Section 742.63, states the board of trustees of the Ohio police and fire pension fund shall adopt rules for the management of the Ohio public safety officers death benefit and for disbursements of benefits as set forth in this section. As used in this section a “member” means a full-time firefighter employed by the state, an instrumentality of the state, a municipal corporation, a township, a joint fire district or another political subdivision.

IRS Publication 263, sates that effective July 2, 1991, mandatory social security coverage became effective for state and local government employees who are not members of a public retirement system and who are not covered under a Section 218 agreement.

The Township in 2003 and 2002 properly did not include part-time firefighters in the Ohio Police and Fire Pension per ORC 742.63, however the Township did not withhold Social Security taxes per IRS Publication 263.

Corrective Action: Contact Person: Ron Smith, Fiscal Officer

Social security is now withheld for part-time firefighters.

CANTON TOWNSHIP
STARK COUNTY
SCHEDULE OF AUDIT FINDINGS

NONCOMPLIANCE CITATIONS (continued)

Finding Number 2003-011

Canton Township Investment Policy dated September 9, 1996, requires that all monies to be used for investment purposes are to be invested in Certificates of Deposits with maturity dates of 14 days to 30 days from date of issue.

The Township invested monies in a money market mutual fund during 2002 which conflicts with the Townships investment policy adopted by the Board of Trustees on September 9, 1996. At December 31, 2002, the amount invested in the money market mutual fund account was \$1,095,106. The Board of Trustees

should monitor the Clerk's investments to ensure that Township investments are limited to those permitted by Ohio Revised Code Section 135.14 and the Township's investment policy. The Board of Trustees should also review the Clerk's monthly investment statements and sign/date the statements to evidence their review.

Corrective Action: Contact Person: Ron Smith, Fiscal Officer

Currently the Township does not carry any investments.

MATERIAL WEAKNESSES

Finding Number 2003-0012

Cash Reconciliations

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statements(s) and the cash and investment balances according to the entity's records at a specific point in time.

For January 1, 2002 and through December 31, 2002, the Township did not properly reconcile the balance of the cash in the accounting records. The annual reports for fiscal years 2003 and 2002 were filed with the Auditor of State with adjustments to show a reconciled amount which the Township was unable to support.

Without complete and accurate monthly bank reconciliations, the Township's internal control is significantly weakened which could hinder the timely detection of errors or irregularities by the Township's management. In addition, Township management is not provided with timely fiscal information that is vital to the continued operation and decision making process of the Township.

The Township should perform complete monthly bank reconciliations in a timely manner. Also, a hard copy of monthly bank reconciliations and the listing of outstanding checks should be filed in the bank activity folder with the bank statements and supporting documents for the applicable month. All un-reconciled differences should be resolved as quickly as possible so they are not carried forward from month-to-month. All reconciling matters should be appropriately documented.

CANTON TOWNSHIP
STARK COUNTY
SCHEDULE OF AUDIT FINDINGS

NONCOMPLIANCE CITATIONS (continued)

Corrective Action: Contact Person: Ron Smith, Fiscal Officer

Bank reconciliations have been completed for 2004 through 2006.

Finding Number 2003-0013

Voided Checks

While conducting the audit on cash disbursement procedures, we noted 547 checks that were not used and 12 checks that could not be physically found. The 12 checks did not clear the bank and were apparently voided. The 547 checks were voided but not defaced or otherwise marked as voided.

This practice allows a certain loss of control over the cash disbursement process and the possibility that a voided check might not be voided at all. All voided checks should be defaced with the signature portion of the check removed and the check retained and accounted for in numerical sequence.

Corrective Action: Contact Person: Ron Smith, Fiscal Officer

Voided checks are stamped VOID and signature portion of check is removed.

Finding Number 2003-0014

Check Stock Control

While conducting cash disbursements testing, we noted that many checks were written out of sequence. Cash disbursement control procedures should be designed to be practicable and to provide reasonable assurance that no unauthorized payments are made, all liabilities are timely paid, and payments are accurately recorded. These controls include accounting for the sequential ordering of checks as they are released for use, prior to preparation.

We recommend that strict numerical control be kept over all checks issued and that checks be issued in sequence.

Corrective Action: Contact Person: Ron Smith, Fiscal Officer

Checks are being controlled and used in numerical order.

Finding Number 2003-0015

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. The Clerk did not enter receipts and disbursements in a timely or accurate manner to present monthly reports to the Board. Consequently, Township officials were not provided with timely or accurate information to enable them to monitor the Township's financial position and operating results.

CANTON TOWNSHIP
STARK COUNTY
SCHEDULE OF AUDIT FINDINGS

NONCOMPLIANCE CITATIONS (continued)

The Board of Trustees should request and the Clerk should submit to the Board of Trustees, on a monthly basis, all pertinent financial reports concerning the Township. These reports should include the month-to-date, year-to-date budgeted receipts versus the month-to-date, year-to-date actual revenue and the month-to-date, year-to-date appropriations versus the actual expenditures. Each month, the Clerk should present the cash journal, the monthly detail of receipts and expenditures, the pending and paid warrant listings, and the monthly bank reconciliation to the Board of Trustees for review and approval. This information is critical to management's decision making process and monitoring financial operations.

Corrective Action: Contact Person: Ron Smith, Fiscal Officer

Receipts and disbursements are now entered in a timely manner. Monthly reports are provided to the Board of Trustees.

Finding Number 2003-0016

Posting of Transactions

We noted numerous weaknesses with respect to the posting of transactions by the former Clerk. These weaknesses were as follows:

Receipts

- Receipts posted to incorrect funds and/or accounts
- Duplicate postings
- Adjusting entries to reverse previous transactions
- Receipts not posted timely
- Lack of supporting documentation

Disbursements

- Checks voided but not removed from appropriation ledger
- Checks written by not posted in appropriation ledger
- Cancelled checks could not be located
- Lack of supporting documentation
- Disbursements posted to incorrect funds and/or accounts
- Checks used out of sequence

The Township contracted with a consultant to correct the postings in order to have accurate financial statements for audit purposes.

CANTON TOWNSHIP
STARK COUNTY
SCHEDULE OF AUDIT FINDINGS

NONCOMPLIANCE CITATIONS (continued)

We recommend that the Township take the necessary steps to ensure transactions are accounted for and properly classified when posted to the Township's accounting system. The Clerk should utilize the Ohio Township Handbook for guidance on posting to the proper fund and/or accounts. The Clerk should also post transactions in a timely manner, reconcile the bank accounts to the books on a monthly basis to identify if all transactions have been posted, attach supporting documentation to all receipts and disbursement transactions and monitor unused checks to assure all checks are accounted for and used in proper order.

Corrective Action: Contact Person: Ron Smith, Fiscal Officer

Receipts and disbursements are being posted to the correct fund and in a timely manner. Supporting documentation is obtained and filed for all transactions and checks are being used in sequence.



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 25, 2007**