



**CANAAN TOWNSHIP
ATHENS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

CANAAN TOWNSHIP
ATHENS COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Canaan Township
Athens County
17498 South Canaan Road
Athens, Ohio 45701

To the Board of Trustees:

We have audited the accompanying financial statements of Canaan Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 audit 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 audit provides 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, 2000 and 1999, 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 February 20, 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. This 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 audit.

This report is intended solely for the information and use of the audit committee, management, the Board 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

February 20, 2001

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**CANAAN TOWNSHIP
ATHENS COUNTY**

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

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Local Taxes	\$49,201	\$148,301	\$197,502
Intergovernmental	21,569	98,193	119,762
Earnings on Investments	5,233	761	5,994
Other Revenue	718	1,762	2,480
 Total Cash Receipts	 76,721	 249,017	 325,738
 Cash Disbursements:			
Current:			
General Government	75,722		75,722
Public Safety		12,209	12,209
Public Works		120,555	120,555
Health		7,886	7,886
Debt Service:			
Redemption of Principal		20,449	20,449
Interest and Fiscal Charges		3,769	3,769
Capital Outlay	99	71,000	71,099
 Total Cash Disbursements	 75,821	 235,868	 311,689
 Total Cash Receipts Over/(Under) Cash Disbursements	 900	 13,149	 14,049
 Other Financing Receipts/(Disbursements):			
Transfers-In		3,900	3,900
Transfers-Out	(3,900)		(3,900)
 Total Other Financing Receipts/(Disbursements)	 (3,900)	 3,900	 0
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 (3,000)	 17,049	 14,049
 Fund Cash Balances, January 1	 27,763	 136,030	 163,793
 Fund Cash Balances, December 31	 \$24,763	 \$153,079	 \$177,842

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

**CANAAN TOWNSHIP
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$48,535	\$151,810	\$0	\$200,345
Intergovernmental	25,026	86,403		111,429
Earnings on Investments	6,487	1,353		7,840
Other Revenue	294	575		869
	<u>80,342</u>	<u>240,141</u>	<u>0</u>	<u>320,483</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	70,268			70,268
Public Safety		12,344		12,344
Public Works		149,290		149,290
Health		12,270		12,270
Human Services	30			30
Conservation - Recreation				0
Miscellaneous				0
Debt Service:				
Redemption of Principal	7,677		17,166	24,843
Interest and Fiscal Charges			2,157	2,157
Capital Outlay		64,153	50,274	114,427
	<u>77,975</u>	<u>238,057</u>	<u>69,597</u>	<u>385,629</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>2,367</u>	<u>2,084</u>	<u>(69,597)</u>	<u>(65,146)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes			50,274	50,274
Transfers-In			12,894	12,894
Advances-In			6,429	6,429
Transfers-Out		(12,894)		(12,894)
Advances-Out	(6,429)			(6,429)
	<u>(6,429)</u>	<u>(12,894)</u>	<u>69,597</u>	<u>50,274</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,062)	(10,810)	0	(14,872)
Fund Cash Balances, January 1	<u>31,825</u>	<u>146,840</u>	<u>0</u>	<u>178,665</u>
Fund Cash Balances, December 31	<u>\$27,763</u>	<u>\$136,030</u>	<u>\$0</u>	<u>\$163,793</u>

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

**CANAAN TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Canaan Township, Athens 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, including road and bridge maintenance, cemetery maintenance, and fire protection.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest earned is recognized and recorded when received.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

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

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

**CANAAN TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not use the encumbrance method of accounting.

A summary of 2000 and 1999 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

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

**CANAAN TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

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:

	<u>2000</u>	<u>1999</u>
Demand deposits	<u>\$177,842</u>	<u>\$163,793</u>

Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$79,363	\$76,721	(\$2,642)
Special Revenue	198,719	252,917	54,198
Debt Service	<u>24,218</u>	<u>0</u>	<u>(24,218)</u>
Total	<u>\$302,300</u>	<u>\$329,638</u>	<u>\$27,338</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$0	\$79,721	(\$79,721)
Special Revenue	0	235,868	(235,868)
Debt Service	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$0</u>	<u>\$315,589</u>	<u>(\$315,589)</u>

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$61,447	\$80,342	\$18,895
Special Revenue	198,008	240,141	42,133
Debt Service	<u>19,322</u>	<u>69,597</u>	<u>50,275</u>
Total	<u>\$278,777</u>	<u>\$390,080</u>	<u>\$111,303</u>

**CANAAN TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$84,404	(\$84,404)
Special Revenue	0	250,951	(250,951)
Debt Service	0	69,597	(69,597)
Total	\$0	\$404,952	(\$404,952)

The Township did not adopt an annual appropriation measure for 1999. The Township approved an annual appropriation measure for 2000 in the Township minute record, however, the appropriation measure could not be found in the Township records and was not on file with the County Auditor. Therefore, the budgeted amounts in the expenditure journal could not be supported as approved by the Trustees as legal appropriations. As a result, the Township expended money in 2000 and 1999 without an approved appropriation measure, contrary to Ohio Revised Code.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
General Obligation Notes - Truck	\$41,259	4.10%
General Obligation Notes - Grader	24,279	4.10%
Total	\$65,538	

The general obligation notes were issued to finance the purchase of a truck in 1999 and a grader in 1997, to be used for Township road maintenance. The notes are collateralized solely by the Township's taxing authority.

The original truck note amount was for \$50,274 for five years, with a yearly payment of \$11,325.

**CANAAN TOWNSHIP
ATHENS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT (Continued)

The original grader note amount was for \$57,239 for five years, with an annual payment of \$12,894.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	General Obligation Notes - Truck	General Obligation Notes - Grader
2001	\$11,325	\$12,894
2002	11,325	12,894
2003	11,325	0
2004	11,325	0
Total	<u>\$45,300</u>	<u>\$25,788</u>

In addition to the debt described above, during 1999, the Township paid off a general obligation note that had been issued for the purchase of a truck in 1994.

6. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000. For the period July 1, 2000 through December 31, 2000, PERS temporarily reduced the employer's contribution rate to 8.13% of participants gross salaries. The Township has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Township has obtained insurance from the Ohio Township Association Risk Management Authority for the following risks:

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

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

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. 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.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Canaan Township
Athens County
17498 South Canaan Road
Athens, Ohio 45701

To the Board of Trustees:

We have audited the accompanying financial statements of Canaan Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated February 20, 2001. We conducted our audit 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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express 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 2000-40705-001 through 2000-40705-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated February 20, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 item 2000-40705-001 through 2000-40705-007.

Canaan Township
Athens County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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. We believe reportable conditions 2000-40705-001 through 2000-40705-007 described above are 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 the management of the Township in a separate letter dated February 20, 2001.

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

Jim Petro
Auditor of State

February 20, 2001

**CANAAN TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-40705-001

Noncompliance Citation

Ohio Rev. Code § 5705.38 requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for the meeting of ordinary expenses until April 1.

The Township did not adopt an annual appropriation measure for 1999. The Township approved an annual appropriation measure for 2000 in the minutes, however, the appropriation measure could not be found in the Township records and was not on file with the County Auditor. As a result, the budgeted amounts in the expenditure journal could not be supported as approved by the Board of Trustees as legal appropriations.

We recommend the Board of Trustees adopt an annual appropriation measure and this be recorded in the minutes of the meeting and filed with the County Auditor. A copy of the appropriation measure should also be retained by the Board of Trustees.

FINDING NUMBER 2000-40705-002

Noncompliance Citation

Ohio Rev. Code § 5705.39 states that no appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate of resources.

In 1999, the Board of Trustees did not approve an annual appropriation resolution in the minutes or have a copy of the resolution on file. They also did not file an appropriation resolution with the County Auditor, therefore, they did not have a certificate from the County Auditor stating that total appropriations from each fund do not exceed the total official estimate or amended official estimate of resources. In 2000, the Board of Trustees did approve an appropriation resolution in the minutes, however appropriation amounts were not listed in the minutes and the Township and County Auditor did not have a copy of the resolution on file. Again, the Township did not have the certificate from the County Auditor stating that total appropriations from each fund do not exceed the total official estimate or amended official estimate of resources. Therefore, in both years, the appropriation amounts listed in the expenditure journal were not effective, resulting in appropriation amounts being zero in all funds and expenditures exceeding appropriations in all funds.

We recommend the Township approve an annual appropriation resolution, keep a copy on file for their records, file a copy with the County Auditor and obtain a certificate from the County Auditor stating that appropriations for each fund do not exceed estimated resources.

**CANAAN TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2000-40705-003

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit shall expend any money unless it has been properly appropriated.

As stated in finding number 2000-40705-002, the Township did not properly appropriate money for expenditures. Therefore, all expenditures made by the Township were unallowable per Ohio Revised Code.

We recommend the Township refrain from making expenditures in excess of the appropriations.

FINDING NUMBER 2000-40705-004

Noncompliance Citation

Ohio Rev. Code § 5705.41(D) provides that no subdivision or taxing authority shall make any contract or order an expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

Ohio Rev. Code provides two "exceptions" to the above requirement:

- A. "Then and Now" Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free from any previous encumbrances, the Board of Township 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, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Township Trustees.

The Township incurred 78% of all expenditures tested in 1999 and 86% of all expenditures tested in 2000 prior to obtaining certification by the Township Clerk. Furthermore, in both years, the expenditures that did have prior certification were not lawfully appropriated since the Board of Trustees did not file their appropriation resolution, resulting in total appropriations being zero in all funds.

We recommend the Board of Trustees lawfully appropriate funds and obtain certification of the clerk that the commitment 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, prior to incurring the expenditure.

**CANAAN TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

FINDING NUMBER 2000-40705-005

Reportable Condition - Bank Reconciliations

There was no indication that monthly bank reconciliations were reviewed by the Board of Trustees in 1999. Even though signatures were present on bank reconciliations in 2000, the Township has been out of balance with the bank balance since April of 2000. The lack of correct reconciliations allowed errors and/or irregularities to occur and remain undetected for an extended period of time. While reviewing 2000 bank reconciliations for the months of April 2000 through December 2000, we noted that the reconciliations contained an amount titled "other adjusting factors" which was the amount necessary to appear reconciled. This amount fluctuated from month to month. The Township was unaware of what items made up this figure and as a result, we performed accounting services to reconcile the book balance with the bank balance. We found deposits and interest income that were not posted to the revenue journal, manually prepared checks that were not posted to the expenditure journal, canceled checks that were still listed on the outstanding check list, fund balance adjustments that were unnecessary, and manual checks that were written and then posted to the system under a different check number causing the clerk to mark the wrong check amount cleared in the system when the bank statement arrived.

We recommend the Township reconcile timely using the correct bank balance from the bank statements and to post the interest earned monthly. We recommend the Township Clerk post all receipts to the revenue journal as they are received. When manual checks are necessary, we recommend the Township Clerk post all manually prepared checks to the expenditure journal using the same data as written on the manually prepared check. Also, all checks should be marked cleared in the system and removed from the outstanding check list once they have cleared the bank according to the bank statement. Furthermore, if other reconciling items are found, they should be investigated and corrected that month and not carried forward to subsequent reconciliations. Finally, we recommend the Board of Trustees review the bank reconciliations and ensure that all adjusting factors are adequately explained and supported.

FINDING NUMBER 2000-40705-006

Reportable Condition - Confirmable Revenue Posting

Monies received from the County Auditor and State Auditor are required to be posted to various funds and line items within the Township records. There were several posting errors of these receipts in the UAN system, which caused cash receipts to be overstated or understated. Many receipts were not posted to the revenue journal, there were three receipts posted twice, and several receipts were posted to the wrong fund and/or line item. As a result, the Township posted fund balance adjustments at different time during 1999 for the amount needed to reconcile, and carried an "other adjusting factors" amount on the reconciliations through out 2000 in order to reconcile. The audited financial statements have been adjusted to reflect the correct amounts in each fund and line item.

**CANAAN TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

FINDING NUMBER 2000-40705-006 (Continued)

Reportable Condition - Confirmable Revenue Posting (Continued)

We recommend the Township Clerk review the receipt documents (i.e. tax settlement sheets, county auditor check stubs, etc.) and utilize the Township Handbook, to more accurately reflect the financial transactions of the Township. Also, the Uniform Accounting Network, (UAN), chart of accounts, which was developed as prescribed by the Ohio Administrative Code, is another tool that would assist the Township Clerk in posting transactions to the UAN System. Also, we recommend the Township refrain from making adjustments to their UAN system for reconciliations purposes. The Township should only make adjustments when they have documentation to support the adjustments.

FINDING NUMBER 2000-40705-007

Reportable Condition - Budgetary Reporting

The Township did not have control procedures in place to ensure that budgetary reports and financial statements accurately reflected the amounts of budgeted revenues, adopted by the Board of Trustees and certified to the County Budget Commission.

This resulted in audit adjustments to the Comparison of Budgeted and Actual Receipts financial statements for various over/ understatements. This could also result in the Township officials having insufficient or inaccurate information to make management decisions that affect the financial position of the Township. Note 3 reflects the adjusted Budgeted and Actual Receipts.

We recommend the Township officials take the necessary steps to implement procedures to ensure that required budgetary forms are accurately completed, presented and adopted by the Board of Trustees; filed with the County Budget Commission; and the budgetary reports and financial statements accurately reflect budgeted information in order to make informed financial decisions.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CANAAN TOWNSHIP

ATHENS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 24, 2001**