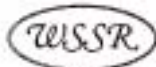

**CANAAN TOWNSHIP
MORROW COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

Whited Seigneur Sams & Rabe, LLP

CERTIFIED PUBLIC ACCOUNTANTS



213 South Paint Street • Chillicothe, Ohio 45601-3828
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**Auditor of State
Betty Montgomery**

Board of Trustees
Canaan Township

We have reviewed the Independent Auditor's Report of the Canaan Township, Morrow County, prepared by Whited Seigneur Sams & Rahe, LLP for the audit period January 1, 2001 through December 31, 2002. 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. The Canaan Township is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

May 29, 2003

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**CANAAN TOWNSHIP
MORROW COUNTY, OHIO
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

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Whited Seigneur Sams & Rahe, LLP

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April 10, 2003

Board of Trustees
Canaan Township
Morrow County
2209 County Road 69
Edison, OH 43320-9742

Report of Independent Auditor

We have audited the accompanying financial statements of Canaan Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2002 and 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Canaan Township, Morrow County, Ohio, as of December 31, 2002 and 2001, 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 a report dated April 10, 2003 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 audits 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 the officials authorized to receive this report under Section 117.26, Ohio Revised Code, 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
MORROW 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, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Memorandum Only</u> <u>Total</u>
CASH RECEIPTS			
Local Taxes	\$ 19,462	\$ 8,524	\$ 27,986
Intergovernmental Receipts	17,090	59,658	76,748
Licenses, Permits and Fees	0	400	400
Interest	1,372	323	1,695
Other Revenue	<u>4,909</u>	<u>0</u>	<u>4,909</u>
TOTAL CASH RECEIPTS	42,833	68,905	111,738
CASH DISBURSEMENTS			
General Government	86,209	225	86,434
Public Safety	0	8,484	8,484
Public Works	228	64,101	64,329
Health	4,484	593	5,077
Capital Outlay	<u>61,859</u>	<u>0</u>	<u>61,859</u>
TOTAL CASH DISBURSEMENTS	<u>152,780</u>	<u>73,403</u>	<u>226,183</u>
TOTAL CASH RECEIPTS OVER / (UNDER) CASH DISBURSEMENTS	(109,947)	(4,498)	(114,445)
Fund Cash Balances, January 1, 2002	<u>136,568</u>	<u>30,400</u>	<u>166,968</u>
Fund Cash Balances, December 31, 2002	<u>\$ 26,621</u>	<u>\$ 25,902</u>	<u>\$ 52,523</u>
Reserve for Encumbrances, December 31, 2002	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**CANAAN TOWNSHIP
MORROW 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, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Memorandum Only</u> <u>Total</u>
CASH RECEIPTS			
Local Taxes	\$ 18,991	\$ 8,266	\$ 27,257
Intergovernmental Receipts	21,276	59,521	80,797
Licenses, Permits and Fees	0	150	150
Interest	5,367	345	5,712
Other Revenue	<u>951</u>	<u>180</u>	<u>1,131</u>
TOTAL CASH RECEIPTS	46,585	68,462	115,047
CASH DISBURSEMENTS			
General Government	36,686	131	36,817
Public Safety	600	7,943	8,543
Public Works	700	57,005	57,705
Health	3,531	205	3,736
Capital Outlay	<u>7,022</u>	<u>0</u>	<u>7,022</u>
TOTAL CASH DISBURSEMENTS	<u>48,539</u>	<u>65,284</u>	<u>113,823</u>
TOTAL CASH RECEIPTS OVER / (UNDER) CASH DISBURSEMENTS	(1,954)	3,178	1,224
Fund Cash Balances, January 1, 2001	<u>138,522</u>	<u>27,222</u>	<u>165,744</u>
Fund Cash Balances, December 31, 2001	<u>\$ 136,568</u>	<u>\$ 30,400</u>	<u>\$ 166,968</u>
Reserve for Encumbrances, December 31, 2001	<u>\$ 60</u>	<u>\$ 2,527</u>	<u>\$ 2,587</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**CANAAN TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

Canaan Township, Morrow 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 and cemetery maintenance. The Township contracts with the Village of Mt. Gilead and the Iberia Volunteer Fire Co., Inc. to provide fire protection services.

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

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are reported as assets. Accordingly, purchase 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.

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 by law or contract to be restricted.
- **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 Fund:

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

**CANAAN TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

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, function and 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. Unencumbered 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 carried over, and need not be reappropriated.

A summary of 2002 and 2001 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 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:

	2002	2001
Demand deposits	\$ 33,837	\$ 21,498
Total Deposits	33,837	21,498
 STAR Ohio	 18,686	 145,470
Total Investments	18,686	145,470
Total Deposits and Investments	\$ 52,523	\$ 166,968

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book entry form.

**CANAAN TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 were as follows:

2002 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 50,500	\$ 42,833	\$ (7,667)
Special Revenue	<u>59,662</u>	<u>68,905</u>	<u>9,243</u>
TOTAL	<u>\$ 110,162</u>	<u>\$ 111,738</u>	<u>\$ 1,576</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 187,068	\$ 152,780	\$ 34,288
Special Revenue	<u>90,059</u>	<u>73,403</u>	<u>16,656</u>
TOTAL	<u>\$ 277,127</u>	<u>\$ 226,183</u>	<u>\$ 50,944</u>

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 45,190	\$ 46,585	\$ 1,395
Special Revenue	<u>58,048</u>	<u>68,462</u>	<u>10,414</u>
TOTAL	<u>\$ 103,238</u>	<u>\$ 115,047</u>	<u>\$ 11,809</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 183,685	\$ 48,599	\$ 135,086
Special Revenue	<u>85,239</u>	<u>67,811</u>	<u>17,428</u>
TOTAL	<u>\$ 268,924</u>	<u>\$ 116,410</u>	<u>\$ 152,514</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
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

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

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. For 2002 and 2001, 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, 2002.

6. RISK MANAGEMENT

The Township is a member of the Ohio Government Risk Management Plan. This Plan assumes the risk of loss up to the Township's policy. Coverage is subject to deductibles and scheduled property. The following risks are covered by the Plan:

- General Liability and Casualty
- Public Official's Liability
- Property
- Vehicle

Whited Seigneur Sams & Rahe, LLP

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April 10, 2003

Board of Trustees
Canaan Township
Morrow County
2209 County Road 69
Edison, OH 43320-9742

Report on Compliance and on Internal Control Required by *Government Auditing Standards*

We have audited the accompanying financial statements of Canaan Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated April 10, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-40659-001.

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 April 10, 2003.

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
MORROW COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

Finding Number 2002-40659-001

Ohio Rev. Code Section 5575.01 provides that competitive bidding is required for contracts for the maintenance or repair of roads, where the amount involved exceeds \$15,000. In each case, the board must advertise once, not later than two weeks prior to the letting of the contract, in a newspaper published in the county and of general circulation in the township. Award must be to the lowest responsible bidder.

In 2002 and 2001 the Township utilized Earthworm Construction for road projects. Payments made to Earthworm Construction totaled \$42,458 in 2002 and \$34,811 in 2001 for each project. Competitive bidding procedures were not followed. We recommend that the Trustees properly bid applicable contracts in order that the Township takes advantage of the lowest and best bid.



**Auditor of State
Betty Montgomery**

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CANAAN TOWNSHIP

MORROW 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
JUNE 10, 2003**