

CANAAN TOWNSHIP  
MORROW COUNTY, OHIO

Audited Financial Statements

For the Years Ended December 31, 2008 and 2007





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Canaan Township  
2170 State Route 95  
Edison, Ohio 43320

We have reviewed the *Independent Accountant's Report* of Canaan Township, Morrow County, prepared by Van Krevel and Company, CPA's, for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

October 7, 2009

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Canaan Township  
Morrow County, Ohio

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INDEPENDENT ACCOUNTANT'S REPORT

Canaan Township
Morrow County, Ohio
2170 State Route 95
Edison, Ohio 43320-9759

To the Board of Trustees:

We have audited the accompanying financial statements of Canaan Township, Morrow County, Ohio, (the Township), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require, Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Canaan Township, Morrow County, Ohio as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audits.



Van Krevel & Company  
Dublin, Ohio

August 20, 2009



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, 2008

	<u>Governmental Fund Types</u>		<b>Totals</b>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 23,431	\$ 14,324	\$ 37,755
Licenses, Permits, and Fees	1,100		1,100
Intergovernmental Receipts	19,646	101,247	120,893
Earnings on Investments	7,957	247	8,204
Miscellaneous	2,329		2,329
<b>Total Cash Receipts</b>	<u>54,463</u>	<u>115,818</u>	<u>170,281</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	73,423	297	73,720
Public Safety	3,750	15,620	19,370
Public Works	7,383	109,464	116,847
Health	33,410		33,410
<b>Total Cash Disbursements</b>	<u>117,966</u>	<u>125,381</u>	<u>243,347</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(63,503)</u>	<u>(9,563)</u>	<u>(73,066)</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Sale of Fixed Assets	1,200	-	1,200
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>1,200</u>	<u>-</u>	<u>1,200</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(62,303)	(9,563)	(71,866)
Fund Cash Balances, January 1	<u>334,213</u>	<u>38,919</u>	<u>373,132</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 271,910</b></u>	<u><b>\$ 29,356</b></u>	<u><b>\$ 301,266</b></u>
<b>Reserve for Encumbrances, December 31</b>	<u><b>\$ 917</b></u>	<u><b>\$ 2,500</b></u>	<u><b>\$ 3,417</b></u>

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, 2007

	<u>Governmental Fund Types</u>		<b>Totals</b>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 24,323	\$ 14,542	\$ 38,865
Licenses, Permits, and Fees	1,500		1,500
Intergovernmental Receipts	19,916	94,029	113,945
Earnings on Investments	17,416	186	17,602
Miscellaneous	2,211		2,211
Total Cash Receipts	<u>65,366</u>	<u>108,757</u>	<u>174,123</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	68,777	242	69,019
Public Safety		13,568	13,568
Public Works	470	82,020	82,490
Health	11,290	-	11,290
Total Cash Disbursements	<u>80,537</u>	<u>95,830</u>	<u>176,367</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(15,171)</u>	<u>12,927</u>	<u>(2,244)</u>
Fund Cash Balances, January 1	<u>349,384</u>	<u>25,992</u>	<u>375,376</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 334,213</b></u>	<u><b>\$ 38,919</b></u>	<u><b>\$ 373,132</b></u>
<b>Reserve for Encumbrances, December 31</b>	<u><b>\$ 315</b></u>	<u><b>\$ 2,500</b></u>	<u><b>\$ 2,815</b></u>

Canaan Township  
Morrow County, Ohio

Notes to the Financial Statements  
December 31, 2008 and 2007

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Canaan Township, Morrow County, (the Township) as a body corporate and politic. 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.

**B Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned and recognizes disbursements 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 the Auditor of State prescribes or permits.

**C Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

STAROhio is recorded at the share value the mutual funds report.

Canaan Township  
Morrow County, Ohio

Notes to the Financial Statements  
December 31, 2008 and 2007

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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 reports all financial resources except those required to be accounted for in another fund.

2 Special Revenue Funds

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

*Gasoline Tax Fund* – This fund receives gasoline tax monies to pay for constructing, maintaining and repairing Township roads.

**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, 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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

Canaan Township  
Morrow County, Ohio

Notes to Financial Statements  
December 31, 2008 and 2007

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**E Budgetary Process** (continued)

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.

A summary of the 2008 and 2007 budgetary activity appears in Note 3.

**F Property, Plant and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**F Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The township has no employees other than the township trustees and fiscal officer. These employees are not eligible for or entitled to cash payments for unused leave. Unpaid leave, if applicable, is not reflected as a liability under the Township's basis of accounting.

**NOTE 2 EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2008</u>	<u>2007</u>
Demand Deposits	\$ 30,948	\$ 40,844
STAROhio	<u>270,318</u>	<u>332,288</u>
Total Deposits and Investments	<u>\$301,266</u>	<u>\$373,132</u>

Canaan Township  
Morrow County, Ohio

Notes to Financial Statements  
December 31, 2008 and 2007

**NOTE 2 EQUITY IN POOLED CASH AND INVESTMENTS** (continued)

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

**Investments:** Investments in STAROhio are not evidenced by securities that exist in physical or book entry form.

**NOTE 3 BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2008, follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 42,000	\$ 55,663	\$ 13,663
Special Revenue	99,704	115,818	16,114
Totals	\$ 141,704	\$ 171,481	\$ 29,777

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 376,213	\$ 118,883	\$ 257,330
Special Revenue	138,623	127,881	10,742
Totals	\$ 514,836	\$ 246,764	\$ 268,072

Canaan Township  
Morrow County, Ohio

Notes to Financial Statements  
December 31, 2008 and 2007

**NOTE 3 BUDGETARY ACTIVITY** (continued)

Budgetary activity for the year ending December 31, 2007, follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 52,000	\$ 65,366	\$ 13,366
Special Revenue	93,000	108,757	15,757
Totals	\$ 145,000	\$ 174,123	\$ 29,123

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 401,382	\$ 80,852	\$ 320,530
Special Revenue	118,990	98,330	20,660
Totals	\$ 520,372	\$ 179,182	\$ 341,190

**NOTE 4 PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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 with the County by each April 30.

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

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

Canaan Township  
Morrow County, Ohio

Notes to Financial Statements  
December 31, 2008 and 2007

**NOTE 5 RETIREMENT SYSTEM**

The Township's officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10.0% and 9.5%, respectively, of their gross salaries. The Township contributed an amount equal to 14.0% and 13.85% of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**NOTE 6 RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's net assets, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006).



Canaan Township  
Morrow County, Ohio

Notes to Financial Statements  
December 31, 2008 and 2007

**NOTE 6 RISK MANAGEMENT** (continued)

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006 or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net assets at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

Canaan Township  
Morrow County, Ohio

Notes to Financial Statements  
December 31, 2008 and 2007

**NOTE 6 RISK MANAGEMENT** (continued)

Financial Position (continued)

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and net assets above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$4,292. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Townships contributions to OTARMA for the past three years are as follows:

<u>Year</u>	<u>Contribution</u>
2008	\$2,146
2007	2,250
2006	2,492

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Canaan Township  
Morrow County, Ohio

Notes to Financial Statements  
December 31, 2008 and 2007

**NOTE 7 RELATED PARTY TRANSACTIONS**

The Township contracts mowing services for all Township cemeteries with a relative of one of the Trustees. Total fees paid in 2008 and 2007 were \$7,500 and \$7,500, respectively. Prior to 2007, the Township requested bids for these services. However, since there has been no interest shown by anyone else, the township opted not to request bids for 2007 and 2008.

**INDEPENDENT ACCOUNTANT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Canaan Township  
Morrow County, Ohio  
2170 State Route 95  
Edison, Ohio 43320-9759

To the Board of Trustees:

We have audited the financial statements of Canaan Township, Morrow County, Ohio, (the Township), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated August 20, 2009, wherein we noted that the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States’ *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Township’s internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not opine on the effectiveness of the Township’s internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township’s internal control over financial reporting.

Our consideration of internal over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township’s internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2008-001.

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Canaan Township  
Morrow County, Ohio  
Independent Accountant's Report on Internal Control over  
Financial Reporting and on Compliance with Other Matters  
Required by *Government Auditing Standard*

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We also noted a certain matter that we reported to the Township's management in a separate letter dated August 20, 2009.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 20, 2009.

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express an opinion on it.

We intend this report solely for the information and use of the management and Board of Trustees. We intend it for no one other than these specified parties.



Van Krevel & Company  
Dublin, Ohio

August 20, 2009

Canaan Township  
Morrow County

Schedule of Findings  
December 31, 2008 and 2007

**Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS**

**Finding Number 2008-001**

Significant Deficiency

All local public offices shall 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 and finance-related legal and contractual requirements and prepare financial statements.

During 2008 and 2007, Township receipts were not always posted to correct revenue classifications, based upon the source of the receipt. In 2008 and 2007, Homestead and Rollback monies received from the State of Ohio totaling \$5,876 and \$4,911, respectively, were posted to Property Taxes instead of Intergovernmental within the General Fund and various special revenue funds. In 2008, \$1,200 of monies received from the sale of assets was posted to Other Miscellaneous instead of Sale of Fixed Assets in the General Fund. In 2007, Real estate tax monies received from the County Auditor totaling \$5,840 were posted to Intergovernmental instead of Property Taxes within the Special Levy-Fire Fund.

Posting receipts to improper classifications results in inaccurate financial information being presented to the Township Trustees. Reclassification entries have been made to the accompanying financial statements to accurately reflect the proper classification of receipts.

The Ohio Township Handbook (revised April, 2009) provides suggested account classifications. These accounts classify receipts by fund and sources. Using these classifications properly will provide the Township with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

**Officials' Response:** The Fiscal Officer will review the revenue account classifications in The Ohio Township Handbook and post future receipts to the appropriate account.



**Mary Taylor, CPA**  
Auditor of State

**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  
OCTOBER 19, 2009**