



Dave Yost · Auditor of State

**CANTON TOWNSHIP
STARK COUNTY**

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Dave Yost • Auditor of State

Canton Township
Stark County
4711 Central Avenue SE
Canton, Ohio 44707

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 31, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Canton Township
Stark County
4711 Central Avenue SE
Canton, Ohio 44707

To the Board of Trustee:

We have audited the accompanying financial statements of Canton Township, Stark County, (the Township) as of and for the years ended December 31, 2011 and 2010. 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 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 audit 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides 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 require presenting entity wide statements and also presenting the Government's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments 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.

Canton Township
Stark County
Independent Accountants' Report
Page 2

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, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Canton Township, Stark County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 Canton Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2012, on our consideration of the Government'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 audit.



Dave Yost
Auditor of State

July 31, 2012

**CANTON TOWNSHIP
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$186,383	\$2,228,486	\$2,414,869
Charges for Services	471,007	471,007	
Licenses, Permits and Fees	35,249	35,761	71,010
Intergovernmental	362,676	543,435	906,111
Special Assessments		97,227	97,227
Earnings on Investments	1,523	286	1,809
Miscellaneous		25,455	25,455
<i>Total Cash Receipts</i>	<i>585,831</i>	<i>3,401,657</i>	<i>3,987,488</i>
Cash Disbursements			
Current:			
General Government	493,757	0	493,757
Public Safety		2,407,542	2,407,542
Public Works		1,453,068	1,453,068
Conservation-Recreation	22,584		22,584
Other		5,875	5,875
Capital Outlay		150,326	150,326
Debt Service:			
Principal Retirement		10,065	10,065
Interest and Fiscal Charges		3,076	3,076
<i>Total Cash Disbursements</i>	<i>516,341</i>	<i>4,029,952</i>	<i>4,546,293</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>69,490</i>	<i>(628,295)</i>	<i>(558,805)</i>
Other Financing Receipts (Disbursements)			
Sale of Notes		150,326	150,326
<i>Total Other Financing Receipts (Disbursements)</i>	<i>0</i>	<i>150,326</i>	<i>150,326</i>
<i>Net Change in Fund Cash Balances</i>	<i>69,490</i>	<i>(477,969)</i>	<i>(408,479)</i>
<i>Fund Cash Balances, January 1 (restated)</i>	<i>165,907</i>	<i>1,088,819</i>	<i>1,254,726</i>
Fund Cash Balances, December 31			
Restricted	0	610,850	610,850
Unassigned (Deficit)	235,397		235,397
<i>Fund Cash Balances, December 31</i>	<i>\$235,397</i>	<i>\$610,850</i>	<i>\$846,247</i>

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

**CANTON TOWNSHIP
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$211,650	\$2,372,185	\$2,583,835
Charges for Services		374,976	374,976
Licenses, Permits, and Fees	10,928	22,053	32,981
Integovernmental	315,239	610,541	925,780
Earnings on Investments	2,407	668	3,075
Miscellaneous	35,479	2,000	37,479
Total Cash Receipts	575,703	3,382,423	3,958,126
Cash Disbursements:			
Current:			
General Government	481,804	17,012	498,816
Public Safety		2,257,128	2,257,128
Public Works		1,081,811	1,081,811
Conservation - Recreation	17,462	84	17,546
Other		2,000	2,000
Total Cash Disbursements	499,266	3,358,035	3,857,301
Total Receipts Over/(Under) Disbursements	76,437	24,388	100,825
Other Financing Receipts / (Disbursements):			
Advances-In	55,259		55,259
Advances-Out		(55,259)	(55,259)
Total Other Financing Receipts / (Disbursements)	55,259	(55,259)	0
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	131,696	(30,871)	100,825
Fund Cash Balances, January 1	31,491	1,122,410	1,153,901
Fund Cash Balances, December 31	\$163,187	\$1,091,539	\$1,254,726
Reserve for Encumbrances, December 31	\$0	\$0	\$0

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

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 the Canton Township, Stark County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection and emergency medical services.

The Township participates in two jointly governed organizations and two public entity risk pools. Notes 8 and 9 to the financial statements provides additional information for these entities.

Jointly Governed Organizations:

Stark County Regional Planning Commission
Stark Council of Governments

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA)
Stark County School Council of Governments Health Benefit Plan

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. Cash

The Township maintains all cash in an interest bearing checking 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 reports all financial resources except those required to be accounted for in another fund.

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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.

Fire Levy Fund - This fund receives tax levy money to purchase and maintain fire department equipment.

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 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Change in Accounting Principle and Restatement of Net Assets/Fund Equity

For fiscal year 2011, the Township reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had the following effect on fund balances previously reported:

	Fund Balance at December 31, 2010	GASB 54 Change in Fund Structure	Adjusted Fund Balance at December 31, 2010
General	163,187	2,720	165,907
Special Revenue	1,091,539	(2,720)	1,088,819

3. Equity in Pooled Deposits and Investments

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

	2011	2010
Demand deposits	\$846,247	\$1,254,726

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$490,629	\$585,831	\$95,202
Special Revenue	3,745,591	3,551,983	(193,608)
Total	<u>\$4,236,220</u>	<u>\$4,137,814</u>	<u>(\$98,406)</u>

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$616,972	\$516,341	\$100,631
Special Revenue	4,289,465	4,029,952	259,513
Total	<u>\$4,906,437</u>	<u>\$4,546,293</u>	<u>\$360,144</u>

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$461,027	\$575,703	\$114,676
Special Revenue	3,450,661	3,382,423	(68,238)
Total	<u>\$3,911,688</u>	<u>\$3,958,126</u>	<u>\$46,438</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$678,276	\$499,266	\$179,010
Special Revenue	4,222,650	3,358,035	864,615
Total	<u>\$4,900,926</u>	<u>\$3,857,301</u>	<u>\$1,043,625</u>

Contrary to Ohio law, the Township did not properly certify funds prior to obligation.

5. 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.

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.

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Tax Anticipation Notes	\$140,261	4.25%
Commercial Paper	33,289	3.75
Total	<u><u>\$173,550</u></u>	

The Township issued tax anticipation notes to finance the purchase of a building to be used for the purpose of providing and maintaining fire apparatus, buildings or sites therefore. The Township's taxing authority collateralized the notes. The Township issued commercial paper to finance the purchase of a wheel loader and accessory equipment. The Township's taxing authority collateralized the commercial paper.

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

Year ending December 31:	Tax	
	Anticipation Note	Commercial Paper
2012	\$26,946	\$34,467
2013	28,798	
2014	28,798	
2015	28,798	
2016	28,798	
2017-2021	14,399	
Total	<u><u>\$156,537</u></u>	<u><u>\$34,467</u></u>

7. Retirement Systems

The Township's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Jointly Governed Organizations

A. Stark County Regional Planning Commission

The Township is associated with the Stark County Regional Planning Commission, (the Commission) as a Jointly Governed Organization. The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed among Stark County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economical and governmental characteristics, functions and services of the county. The Township has no financial responsibility for any the Commission's liabilities. In 2011 and 2010, the Township contributed \$12,937 and \$22,074, respectively to the Commission. Complete financial statements can be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

B. 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 the membership, including Stark County, and other cities and 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 dependent on the Township's continued participation; however, the Township does not 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. No contributions were made by the Township in 2007 and 2006. Complete financial statements may be obtained from the Stark Council of Governments, P.O. Box 21451, Canton, Ohio 44701-1451.

9. Public Entity Risk Pools

A. Ohio Township Association Risk Management Authority

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. Public Entity Risk Pools (Continued)

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$32,000.

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.

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$43,583	\$37,892

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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.

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. Public Entity Risk Pools (Continued)

B. Stark County School Council of Governments Health Benefit Plan

The Stark County School Council of Governments Health Benefit Plan (Council) is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating member. The assembly elects officers for two-year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating members, based on the established premiums for the insurance plans. Each member reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

10. Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Canton Township
Stark County
[4711 Central Avenue SE
Canton, Ohio 44707

To the Board of Trustees:

We have audited the financial statements of Canton Township, Stark County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 31, 2012 wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We also noted during 2011 the Township adopted *Governmental Accounting Standards Board Statement No. 54*, Fund Balance Reporting and Governmental Fund Type Definitions. We conducted our audit 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 audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

Canton Township
Stark County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-02 described in the accompanying schedule of findings to be a material weakness.

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 audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 31, 2012.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, and others within the Township. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

July 31, 2012

CANTON TOWNSHIP
STARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

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

1. Ohio Rev. Code Section 5705.41(D)

<i>Finding Number</i>	2011-001
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NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Township can authorize the drawing of a warrant for the payment of the amount due. The entity has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 entity.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

1. Ohio Rev. Code Section 5705.41(D) (Continued)

<i>Finding Number</i>	2011-001
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NONCOMPLIANCE (Continued)

During testing it was noted 8 out of the 31 (26%) expenditure transactions tested were not properly certified prior to incurring the obligation.

Unless the exceptions noted as above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

During fiscal year 2011, the Fiscal Officer and Trustees certified one Purchase Order No. 42-2011, Account No. 2281-230-400 in the amount of \$40,000 for FIRE - Misc Expenses. This amount exceeded the amount established by resolution or ordinance for "blanket" certificates.

We recommend the Township certify purchases to which section 5705.41 (D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41 (D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

The Fiscal Officer should periodically review the Outstanding Purchase Order Report to ensure blanket purchase orders do not exceed the amount established by resolution or ordinance as adopted by the members of the legislative body and therefore not over encumber funds.

Officials Response: The Fiscal Officer and Board previously implemented your recommendations and suggestions and will confirm that expenditures are covered under an existing appropriation. The Board's implementing appropriation for the fire department referenced the statutory amount and did not specify any dollar figure. The Board's appropriation was \$50,000.00 pursuant to the statute and the expenditure was within that amount.

2. Posting of Transactions

<i>Finding Number</i>	2011-002
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MATERIAL WEAKNESS

The Township recorded several transactions incorrectly. Incorrect postings identified included the following:

- 53% (21 out of 40) of the 2011 and 2010 expenditures transactions tested were not posted to the correct object code
- The Township did not record the debt proceeds for the Front-End Loader or the line of credit proceeds for the purchase of Amos School on their Statement of Net Assets, the financial statements have been adjusted to properly reflect the proceeds of debt
- The Township did not properly post the principal and interest payments, the financial statements have been adjusted to properly reflect the principal payments
- In 2010 advances in to the General Fund and out of the Special Revenue Fund was posted as transfers in and out rather than advances in the amount of \$55,259, the financial statements have been adjusted to properly reflect the advances
- In 2010 Intergovernmental revenue in the General Fund was posted as License, Permits and Fees in the amount of \$4,114
- In 2011 Intergovernmental revenue in the Special Revenue Funds was posted as License, Permits and Fees in the amount \$4,125
- In 2010 Intergovernmental Revenue in the General and Special Revenue funds were posted as Property Tax Revenue in the amounts of \$19,676 for the General Fund and \$207,343 in the Special Revenue Funds, the financial statements have been adjusted to reflect a reclassification
- In 2010 and 2011 Intergovernmental Revenue in the Special Revenue Funds was posted as Charges for Services Revenue in the amount of \$6,717 and \$32,939, respectively
- In 2011 the Zoning Fund was included as a Special Revenue Fund; however Auditor of State Bulletin 2011-004 suggests reclassifying the fund to the General Fund, the financial statements have been adjusted to properly reflect the zoning fund as part of the General Fund

The Township Fiscal Officer should review the monthly financial reports to help ensure expenditures are being recorded to the proper account based on type of activity. The Township Fiscal Officer could utilize the Township Accounting Handbook and UAN Accounting Manual to assist in identifying proper accounts.

The Township should reflect the proceeds of debt as Debt Service on their Statement of Changes in Cash Balances. This will provide for an accurate picture of the Townships' liabilities. In addition, as debt is repaid the payments should be posted as principal and interest payments. This will allow for proper accounting for outstanding debt.

Additionally, the Board should review monthly receipt and disbursement activity reports to help ensure transactions are properly classified and consistent with management's expectations. This will help more accurately reflect the Township's financial activity and will aid in more accurate financial reporting.

Officials Response: The Fiscal Officer will review the recommendations with the UAN adviser to amend, modify and correct the program to comply.

CANTON TOWNSHIP
STARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	The Township had several misclassifications	No	Not Corrected, repeated as finding 2011-02



Dave Yost • 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 13, 2012