

MARLBORO TOWNSHIP

STARK COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2011 and 2010

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Board of Trustees
Marlboro Township
7344 Edison Street
Hartville, Ohio 44632

We have reviewed the *Report of Independent Accountants* of Marlboro Township, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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. Marlboro Township is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

October 30, 2012

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MARLBORO TOWNSHIP
STARK COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2011 and 2010

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Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Marlboro Township
Stark County
7344 Edison Street, NE
Hartville, Ohio 44632

To the Board of Trustees:

We have audited the accompanying financial statements of Marlboro Township, Stark County, (the Township), as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. 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. 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.

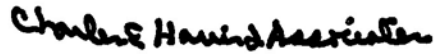
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above 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 of the Township, as of December 31, 2011 and 2010, and the combined receipts, disbursements, and changes in fund cash balances for the years then ended in conformity with the basis of accounting described in Note 1.

As described in Note 1, during 2011 the Marlboro 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 26, 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.

A handwritten signature in black ink that reads "Charles E. Harris" in a cursive style.

Charles E. Harris & Associates, Inc.

July 26, 2012

MARLBORO 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, 2011

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent Fund	
<u>Cash Receipts:</u>					
Local Taxes	\$ 40,556	\$ 692,878	-	-	\$ 733,434
Intergovernmental	68,057	228,301	-	-	296,358
Licenses, Permits, and Fees	30,999	-	-	-	30,999
Fines and Forfeitures	4,581	549	-	-	5,130
Special Assessments	-	5,675	-	-	5,675
Earnings on Investments	552	248	-	\$ 342	1,142
Other	5,178	17,175	-	-	22,353
Total Cash Receipts	149,923	944,826	-	342	1,095,091
<u>Cash Disbursements:</u>					
Current:					
General Government	172,453	11,223	-	-	183,676
Public Safety	914	480,851	-	-	481,765
Public Works	-	385,943	-	-	385,943
Health	24,929	-	-	-	24,929
Miscellaneous	-	-	-	1,120	1,120
Capital Outlay	-	44,216	-	-	44,216
Total Cash Disbursements	198,296	922,233	-	1,120	1,121,649
Total Receipts Over/(Under) Disbursements	(48,373)	22,593	-	(778)	(26,558)
Beginning Fund Balance 1/1/11	165,590	734,713	99,467	75,791	1,075,561
Nonspendable	-	-	-	10,000	10,000
Restricted	-	757,306	-	65,013	822,319
Assigned	-	-	99,467	-	99,467
Unassigned	117,217	-	-	-	117,217
Ending Fund Balance 12/31/11	\$ 117,217	\$ 757,306	\$ 99,467	\$ 75,013	\$ 1,049,003

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

MARLBORO 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	Debt Service	Capital Projects	Permanent Fund	
<u>Cash Receipts:</u>						
Local Taxes	\$ 41,715	\$ 714,384		-	-	\$ 756,099
Intergovernmental	105,463	226,370	-	-	-	331,833
Licenses, Permits, and Fees	24,872	-	-	-	-	24,872
Fines and Forfeitures	7,209	3,447	-	-	-	10,656
Special Assessments	-	5,467	-	-	-	5,467
Earnings on Investments	1,289	200	-	-	\$ 186	1,675
Other	83,828	20,788	-	-	-	104,616
Total Cash Receipts	264,376	970,656	-	-	186	1,235,218
<u>Cash Disbursements:</u>						
Current:						
General Government	181,424	10,395	-	-	-	191,819
Public Safety	-	475,559	-	-	-	475,559
Public Works	-	387,214	-	-	-	387,214
Health	24,155	-	-	-	-	24,155
Miscellaneous	771	-	-	-	720	1,491
Capital Outlay	1,722	23,979	-	-	-	25,701
Total Cash Disbursements	208,072	897,147	-	-	720	1,105,939
Total Receipts Over/(Under) Disbursements	56,304	73,509	-	-	(534)	129,279
<u>Other Financing Sources/(Uses):</u>						
Transfers In	3,087	-	-	-	-	3,087
Transfers Out	-	-	\$ (3,087)	-	-	(3,087)
Total Other Financing Sources/(Uses)	3,087	-	(3,087)	-	-	-
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements And Other Financing Uses	59,391	73,509	(3,087)	-	(534)	129,279
Beginning Fund Balance 1/1/10	106,199	661,204	3,087	\$ 99,467	76,325	946,282
Ending Fund Balance 12/31/10	\$ 165,590	\$ 734,713	\$ -	\$ 99,467	\$ 75,791	\$ 1,075,561

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

MARLBORO TOWNSHIP
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Marlboro Township, Stark County (the Township) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, zoning, cemetery maintenance, and police protection. The Township contracts with the Marlboro Volunteer Fire Department to provide fire and emergency medical services.

The Township's management believes the financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Township prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH AND INVESTMENTS

The Township maintains a general checking account and an overnight repurchase agreement. Repurchase agreements are valued at cost.

Investments are included in the fund cash balances. Accordingly, purchases of investments are not reported 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.

MARLBORO TOWNSHIP
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – (continued)

D. FUND ACCOUNTING

The Township maintains its accounting records in accordance with the principles of “Fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities, reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

- *Road and Bridge Fund* – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.
- *Gasoline Tax Fund* – This fund receives gasoline tax money to pay for construction, maintaining and repairing Township roads.
- *Police District Levy Fund* – This fund receives proceeds from a special tax levy to fund the Township’s police department.
- *Fire District Levy Fund* – This fund receives proceeds from a special tax levy to fund the Township’s fire contract with Marlboro Volunteer Fire Department.
- *Road District levy Fund* – This fund receives proceeds from a special tax levy to fund road construction and maintenance.

Debt Service Fund: This fund is used to accumulate resources for the payment of bonds and notes indebtedness. The Township has the following Debt Service Fund.

- *General Bond Retirement Fund* – This fund accounts for the debt requirements associated with construction of the Township Hall. Construction was completed during 1999.

MARLBORO TOWNSHIP
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – (continued)

D. FUND ACCOUNTING

Governmental Fund Types:

Capital Project Funds: This fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities. The Township has the following significant Capital Projects Funds:

- *Land Acquisition Fund* – This is a reserve fund for future acquisition of land by the Township.
- *Road Backhoe and Truck Fund* – This is a reserve fund for future purchase of a backhoe and a truck for the Township.

Permanent Fund: This fund is used to account for resources restricted by legally binding trust agreements or wills. The Township has the following Permanent Fund:

- *Taylor Fund Permanent Fund* – This permanent fund was established to maintain the activity of the Taylor Fund. This fund was established in 1875 to provide relief to needy Township residents at Christmas.

E. BUDGETARY PROCESS

1. Budget

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission for the period January 1 to December 31 of the following year.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus encumbered cash as of January 1. The County Budget Commission must also approve the annual appropriation measure.

MARLBORO TOWNSHIP
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

E. BUDGETARY PROCESS

3. Appropriations

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

4. 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 2011 and 2010 budgetary activity appears in Note 3.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

H. 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.

MARLBORO TOWNSHIP
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

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.

MARLBORO TOWNSHIP
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	2011	2010
Demand Deposits	\$ 53,883	\$ 57,185
Repurchase Agreement	995,120	1,018,376
 Total Deposits and Investments	 \$ 1,049,003	 \$ 1,075,561

Deposits:

The bank balance are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

Investments:

The repurchase agreement is an overnight sweep account reported at cost. The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2011 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 149,079	\$ 149,923	\$ 844
Special Revenue	992,303	944,826	(47,477)
Permanent	300	342	42

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 265,000	\$ 198,296	\$ 66,704
Special Revenue	1,539,000	922,233	616,767
Permanent	5,000	1,120	3,880

MARLBORO TOWNSHIP
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

3. BUDGETARY ACTIVITY – (continued)

Budgetary activity for the year ended December 31, 2010 follows:

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 326,230	\$ 267,463	\$ (58,767)
Special Revenue	930,312	970,656	40,344
Debt Service	-	-	-
Capital Projects	-	-	-
Permanent	93	186	93

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 300,000	\$ 208,072	\$ 91,928
Special Revenue	1,483,227	897,147	586,080
Debt Service	3,087	3,087	-
Capital Projects	92,900	-	92,900
Permanent	70,000	720	69,280

4. DEBT

The Township has no debt outstanding in 2011 and 2010.

5. PROPERTY TAX

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as Intergovernmental Receipts.

Public utilities are also taxed on personal and real property located within the Township. Tangible personal property tax is assessed on the property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

MARLBORO TOWNSHIP
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

5. PROPERTY TAX - (continued)

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

6. DEFINED BENEFIT PENSION PLAN

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing multiple-employer defined benefit pension plan. The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 10% for local employees for both years and 11.1% and 11.6% for law enforcement for 2010 and 2011, respectively. For local government employer units the rate was 14% in 2010 and 2011 of covered payroll. The Township is required to contribute 17.87% in 2010 and 18.1% in 2011 for law enforcement employees. The Township has paid all contributions required through December 31, 2011.

7. 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. 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.

**MARLBORO TOWNSHIP
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

7. RISK MANAGEMENT - (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, 2011, 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, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	<u>(9,718,792)</u>	<u>(10,664,724)</u>
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 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, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$10,281.

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>
\$13,893	\$11,249

MARLBORO TOWNSHIP
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

7. RISK MANAGEMENT - (continued)

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.

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years.

8. STARK COUNCIL OF GOVERNMENTS

The Stark Council of Governments (SCOG) is a jointly governed organization. SCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. Currently, SCOG's functions include the funding and operation of the Stark County Metropolitan Narcotics Unit and the Canton Crime Lab. SCOG is governed by its membership, including Stark County, and other cities, villages and townships. The membership elects a nine member executive committee. Based on recommendations of the executive committee, the membership approves its own budget, appoints personnel and performs accounting and finance related activities. Continued existence of SCOG is not dependent on the Township's continued participation nor does the Township have an equity interest in SCOG. SCOG is not accumulating significant financial resources or experiencing fiscal stress that would cause additional financial benefit or burden to the Township. Complete financial statements may be obtained from the Stark Council of Governments, P.O. Box 21451, Canton, Ohio, 44701-1451.

9. STARK COUNTY REGIONAL PLANNING COMMISSION

The Township participates in the Stark County Regional Planning Commission (the Commission), which is a statutorily created political subdivision of the State. The Commission is jointly governed among Stark County and other cities, villages, and townships. The principle aim of the Commission is to provide comprehensive planning, both long-term and short-term, dealing with the economic and physical environment of Stark County. The Board exercises total authority over the day-to-day operation of the Commission. These include budgeting, appropriating, contracting, and designating management. The Township has no financial responsibility for any of the Commission's liabilities. Complete financial statements can be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

MARLBORO TOWNSHIP
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

10. TRANSFERS

Per the Stark County court of common pleas, the Township was authorized to transfer \$3,087 from debt service fund bond retirement fund to the General fund. This transfer was in compliance with the Ohio Revised Code.

11. SUBSEQUENT EVENTS/PENDING LITIGATION

Management believes there are no pending claims or lawsuits.

Rockefeller Building
614 W Superior Ave Ste1242
Cleveland OH 44113-1306
Phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Marlboro Township
Stark County
7344 Edison Street, NE
Hartville, Ohio 44632

To the Board of Trustees:

We have audited the financial statements of Marlboro Township, Stark County, Ohio (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 26, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Also, we noted the Township implemented Governmental Accounting Standard 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 opinions 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.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

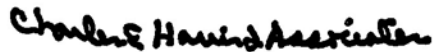
Compliance and Other Matters

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 matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2011-001.

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 no opinion on it.

We also noted certain matters that we have reported to management of the Township in a separate letter dated July 26, 2012.

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



Charles E. Harris and Associates, Inc.

July 26, 2012

**MARLBORO TOWNSHIP
STARK COUNTY
SCHEDULE OF FINDINGS
For the Years Ended December 31, 2011 and 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001: Non-compliance Citation

Ohio Revised Code Section 5705.41 (D), requires in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every 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 requirement state 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 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 Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

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

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution 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 Township 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 predicable 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 items appropriation.

The Township did not certify the availability of funds for 27 of 73 non-payroll expenditures tested for the audit period. Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances.

**MARLBORO TOWNSHIP
STARK COUNTY
SCHEDULE OF FINDINGS - CONTINUED
For the Years Ended December 31, 2011 and 2010**

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

FINDING NUMBER 2011-001: Non-compliance Citation - continued

To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Fiscal Officer should certify the availability of funds for all commitments. The Township should also consider the use of blanket purchase orders and "then and now" certificates to assist in complying with the above requirement.

Management's Response:

The noted violations were in 2010 and the beginning of 2011. The new Fiscal Officer appointed on January 24, 2011 uses blanket purchase orders and purchase orders to comply with the above requirement and certify the amounts required to meet the obligations.

**MARLBORO TOWNSHIP
STARK COUNTY, OHIO
For the Years Ended December 31, 2011 and 2010**

Status of Prior Audit Findings

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	Ohio Revised Code Section 5705.36(A) Estimated receipts greater than actual receipts.	Yes	Finding No Longer Valid



Dave Yost • Auditor of State

MARLBORO TOWNSHIP

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 13, 2012**