



**MARION TOWNSHIP
MARION COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MARION TOWNSHIP
MARION COUNTY**

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Marion Township
Marion County
129 South Main Street
Marion, Ohio 43302

To the Board of Trustees:

We have audited the accompanying financial statements of Marion Township, Marion County, Ohio, (the Township) as of and for the years ended December 31, 1999 and December 31, 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2000, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

July 3, 2000

**MARION TOWNSHIP
MARION COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$124,966	\$1,622,902	\$1,747,868
Intergovernmental	375,641	168,649	544,290
Special Assessments	0	284	284
Licenses, Permits, and Fees	7,522	0	7,522
Earnings on Investments	23,898	456	24,354
Other Receipts	90,593	3,437	94,030
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	622,620	1,795,728	2,418,348
Cash Disbursements:			
Current:			
General Government	362,715	0	362,715
Public Safety	134	1,689,083	1,689,217
Public Works	145,324	38,459	183,783
Debt Service:			
Redemption of Principal	2,867	0	2,867
Capital Outlay	4,120	17,885	22,005
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	515,160	1,745,427	2,260,587
Total Cash Receipts Over Cash Disbursements	107,460	50,301	157,761
Fund Cash Balances, January 1, 1999	617,708	586,897	1,204,605
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Fund Cash Balances, December 31, 1999	<u>\$725,168</u>	<u>\$637,198</u>	<u>\$1,362,366</u>

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

**MARION TOWNSHIP
MARION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$115,232	\$1,620,659	\$1,735,891
Intergovernmental	296,982	171,671	468,653
Special Assessments	0	118	118
Licenses, Permits, and Fees	9,552	0	9,552
Earnings on Investments	22,772	138	22,910
Other Receipts	84,480	5,418	89,898
	<u>529,018</u>	<u>1,798,004</u>	<u>2,327,022</u>
Total Cash Receipts			
	<u>529,018</u>	<u>1,798,004</u>	<u>2,327,022</u>
Cash Disbursements:			
Current:			
General Government	330,103	0	330,103
Public Safety	289	1,709,370	1,709,659
Public Works	77,797	61,812	139,609
Debt Service:			
Redemption of Principal	1,433	0	1,433
Capital Outlay	3,620	44,817	48,437
	<u>413,242</u>	<u>1,815,999</u>	<u>2,229,241</u>
Total Cash Disbursements			
	<u>413,242</u>	<u>1,815,999</u>	<u>2,229,241</u>
Total Cash Receipts Over/(Under) Cash Disbursements	115,776	(17,995)	97,781
Fund Cash Balances, January 1, 1998	501,932	604,892	1,106,824
Fund Cash Balances, December 31, 1998	<u>\$617,708</u>	<u>\$586,897</u>	<u>\$1,204,605</u>

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

**MARION TOWNSHIP
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Marion Township, Marion County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance and fire protection services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Certificates of deposit are valued at cost. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Except gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Fire District Fund - This fund receives property tax and intergovernmental money for the equipping, maintaining, and general operations of the Township fire department.

**MARION TOWNSHIP
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 canceled, and re-appropriated in the subsequent year. The Township did not encumber or certify all commitments required by Ohio law.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH

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

	<u>1999</u>	<u>1998</u>
Deposits	\$1,187,366	\$1,029,605
Certificates of deposit	<u>175,000</u>	<u>175,000</u>
Total deposits	<u><u>\$1,362,366</u></u>	<u><u>\$1,204,605</u></u>

**MARION TOWNSHIP
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

2. EQUITY IN POOLED CASH (Continued)

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 follows:

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$322,635	\$622,620	\$299,985
Special Revenue	1,734,824	1,795,728	60,904
Total	<u>\$2,057,459</u>	<u>\$2,418,348</u>	<u>\$360,889</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$940,342	\$515,160	\$425,182
Special Revenue	2,300,113	1,745,427	554,686
Total	<u>\$3,240,455</u>	<u>\$2,260,587</u>	<u>\$979,868</u>

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$299,057	\$529,018	\$229,961
Special Revenue	1,743,838	1,798,004	54,166
Total	<u>\$2,042,895</u>	<u>\$2,327,022</u>	<u>\$284,127</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$800,989	\$413,242	\$387,747
Special Revenue	2,348,729	1,815,999	532,730
Total	<u>\$3,149,718</u>	<u>\$2,229,241</u>	<u>\$920,477</u>

**MARION TOWNSHIP
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$53,035	0%

The Ohio Public Works Commission Loan was issued to finance a storm sewer drainage project for a housing development within the Township.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	Ohio Public Works Commission Loan
2000	\$2,867
2001	2,867
2002	2,867
2003	2,867
2004	2,867
Subsequent	38,700
Total	\$53,035

**MARION TOWNSHIP
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

6. RETIREMENT SYSTEMS

The Township's certified full-time Fire Fighters belong to the Police and Firemen's Disability and Pension Funds (PFDPF). The Township's part-time fire fighters, with the exception of one, have Social Security withheld from their compensation. All other employees, including the one part-time fire fighter, belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Township contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

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

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JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

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

Marion Township
Marion County
129 South Main Street
Marion, Ohio 43302

To the Board of Trustees:

We have audited the accompanying financial statements of Marion Township, Marion County, Ohio, (the Township), as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated July 3, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-40651-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 3, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-40651-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated July 3, 2000.

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



JIM PETRO
Auditor of State

July 3, 2000

**MARION TOWNSHIP
MARION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

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

FINDING NUMBER 1999-40651-001

Noncompliance Citation

Certification by Clerk

Ohio Rev. Code Section 5705.41(D) states in part that no subdivision 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. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

The Clerk certifies funds at the time of payment rather than when the commitment is incurred.

The Clerk should certify funds before each payment is made through the issuance of a regular, blanket or super blanket purchase order. One blanket certificate can be issued for each line item appropriation for recurring and reasonably predictable operating expenses. These blanket certificates should be canceled at the end of each fiscal year. A super blanket purchase order can be issued for amounts exceeding \$5,000 and for more than one line item appropriation.

Also, as an alternative, the Township can also issue then and now certificates for expenses up to \$1,000. Then and now certificates allow the Clerk to certify that both at the time the expenditure was made and at the time that the certification is completed, sufficient funds are available. These certificates can be certified by the Clerk without subsequent authorization from the Trustees. However, then and now certificates issued by the Clerk over \$1,000 must be authorized by the Trustees within thirty days after payment.

FINDING NUMBER 1999-40651-002

Cash Reconciliations

The Township began experiencing problems reconciling early in 1998 when the new UAN software was installed. Reconciling items were not completely identified and monthly reconciliations were not always performed. At December 31, 1999, the Township was unreconciled by \$3,965. Furthermore, there was no evidence that the Board reviewed any cash reconciliations.

When cash reconciliations are not properly performed, monthly fund balances may be understated or overstated and management can not be assured that statements reflect the proper financial activities of the Township. Also, lack of legislative monitoring may lead to errors, irregularities, or misappropriation of Township assets.

Monthly cash reconciliations should be performed by the Township Clerk to determine if all receipts and disbursements have been posted properly. Reconciling items should be identified at the time of the reconciliation. Once completed, the reconciliation should be reviewed by the Board of Trustees for completeness and accuracy. The review should also include determining that deposits and investments are allowable per the Ohio Revised Code.

**MARION TOWNSHIP
MARION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

<p>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 1999-40651-002 (Continued)

Cash Reconciliations (Continued)

Because the Clerk can not identify the source of the unreconciled items at December 31, 1999, the Township should adjust January 1, 2000 fund balances to agree to the bank balances in order to eliminate the unreconciled items. Once the unidentified unreconciled items are eliminated, the Clerk should be able to perform monthly reconciliations and identify any future reconciling items.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

MARION TOWNSHIP

MARION 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
SEPTEMBER 26, 2000**