



**MARION TOWNSHIP
MORGAN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**MARION TOWNSHIP
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REPORT OF INDEPENDENT ACCOUNTANTS

Marion Township
Morgan County
5415 Wogan Road
Chesterhill, Ohio 43728

To the Board of Trustees:

We have audited the accompanying financial statements of Marion Township, Morgan County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 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 Marion Township, Morgan County, Ohio, as of December 31, 1999 and 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 August 4, 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

August 4, 2000

**MARION TOWNSHIP
 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 12,974	\$ 53,260	\$ 66,234
Intergovernmental	12,880	75,834	88,714
Earnings on Investments	1,000	1,001	2,001
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	26,854	130,095	156,949
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
General Government	28,295		28,295
Public Safety		29,300	29,300
Public Works	10,052	59,675	69,727
Health		14,935	14,935
Capital Outlay	15,949	5,767	21,716
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	54,296	109,677	163,973
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(27,442)	20,418	(7,024)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	73,302	21,137	94,439
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 45,860</u>	<u>\$ 41,555</u>	<u>\$ 87,415</u>

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

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

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Local Taxes	\$ 12,605	\$ 51,153	\$ 63,758
Intergovernmental	124,323	64,781	189,104
Earnings on Investments	1,150	1,150	2,300
Total Cash Receipts	138,078	117,084	255,162
Cash Disbursements:			
General Government	29,548		29,548
Public Safety		27,166	27,166
Public Works	6,237	63,266	69,503
Health		15,875	15,875
Capital Outlay	34,744	3,567	38,311
Total Cash Disbursements	70,529	109,874	180,403
Total Receipts Over/(Under) Disbursements	67,549	7,210	74,759
Fund Cash Balances, January 1	5,753	13,927	19,680
Fund Cash Balances, December 31	\$ 73,302	\$ 21,137	\$ 94,439

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Marion Township, Morgan County, (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 and a publicly-elected Clerk. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Village of Chesterhill to provide fire 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.

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

C. 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 Funds:

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for maintaining and repairing Township roads.

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Fire District Fund - This fund is established to account for tax levy proceeds and related expenditures for fire protection.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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 function 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 reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

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

E. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	<u>\$ 87,415</u>	<u>\$ 94,439</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

Contrary to Ohio law, between March 9, 1998 and December 18, 1998, and between February 12, 1999 and March 18, 1999, the Township's bank balance exceeded the \$100,000 FDIC coverage by as much as \$29,690.

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

3. BUDGETARY ACTIVITY

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

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 26,769	\$ 26,854	\$ 85
Special Revenue	<u>121,556</u>	<u>130,095</u>	<u>8,539</u>
Total	<u>\$ 148,325</u>	<u>\$ 156,949</u>	<u>\$ 8,624</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 95,604	\$ 54,296	\$ 41,308
Special Revenue	<u>136,237</u>	<u>109,677</u>	<u>26,560</u>
Total	<u>\$ 231,841</u>	<u>\$ 163,973</u>	<u>\$ 67,868</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 22,378	\$ 138,078	\$ 115,700
Special Revenue	<u>112,208</u>	<u>117,084</u>	<u>4,876</u>
Total	<u>\$ 134,586</u>	<u>\$ 255,162</u>	<u>\$ 120,576</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 28,080	\$ 70,529	\$ (42,449)
Special Revenue	<u>130,582</u>	<u>109,874</u>	<u>20,708</u>
Total	<u>\$ 158,662</u>	<u>\$ 180,403</u>	<u>\$ (21,741)</u>

During 1998, expenditures exceeded appropriations in the General Fund and the Cemetery Fund, contrary to Ohio law.

MARION TOWNSHIP
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 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 payment, 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. OPERATING LEASE

The Township entered into a five-year lease agreement with New Holland Credit Company for a tractor in 1997. The original lease was for \$18,000, with an interest rate of 6.75%. The Township is required to make monthly payments of \$297, with an option to purchase the tractor for \$3,600 at the end of the lease agreement.

The annual payments required to meet the lease agreement, including interest, are as follows:

<u>Year Ending</u> <u>December 31</u>	
2000	\$ 3,567
2001	3,567
2002	<u>892</u>
Total	<u>\$ 8,026</u>

6. RETIREMENT SYSTEM

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan 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, 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.

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

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

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

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

Marion Township
Morgan County
5415 Wogan Road
Chesterhill, Ohio 43728

To the Board of Trustees:

We have audited the accompanying financial statements of Marion Township, Morgan County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 4, 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 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items number 1999-41058-001 to 1999-41058-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated August 4, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated August 4, 2000.

Marion Township
Morgan County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the management and the Board of Trustees, 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", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

August 4, 2000

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-41058-001

Noncompliance Citation

Ohio Rev. Code Section 135.18 states in the case of any deposit other than the initial deposit made during the period of designation, the amount of the aggregate market value of securities required to be pledged and deposited, or of the surety company bonds required to be deposited, shall be equal to the difference between the amount of public moneys on deposit in such public depository plus the amount to be so deposited, minus the portion or amount of the aggregate as is at the time insured as provided in this Section.

The Township did not have additional pledged securities from its financial institution. The Township's deposits between March 9, 1998 and December 18, 1998, and between February 12, 1999 and March 18, 1999, exceeded the federal insurance coverage by as much as \$29,690. This resulted in deposits that were neither insured nor collateralized.

We recommend the Clerk contact the financial institution regarding obtaining additional pledged securities or obtaining pooled securities on the Township's behalf, since the Township's balance exceeds \$100,000 periodically.

FINDING NUMBER 1999-41058-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit to expend money unless it has been properly appropriated.

For the year ending December 31, 1998, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$ 28,080	\$ 70,529	\$ (42,449)
Cemetery	14,947	15,875	(928)

Amendments made to the original appropriations were approved by the Board of Trustees, but not documented in the minute record.

We recommend the amendments to appropriations approved by the Board of Trustees be documented in the minute record.

**MARION TOWNSHIP
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 1999 AND 1998**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1997-41058-001	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) for failing to certify the availability of funds prior to incurring obligations.	No	Not corrected: The noncompliance citation is no longer as significant and is reported in the current audit in the Management Letter.
1997-41058-002	A reportable condition was issued in the prior audit regarding the monitoring of the financial functions of the Township.	No	Finding No Longer Valid: The issue is reported in the current audit in the Management Letter.



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MARION TOWNSHIP

MORGAN 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 5, 2000**