



**MARION TOWNSHIP
NOBLE 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
Noble County
26655 St. Rt. 78
Summerfield, Ohio 43788

To the Board of Trustees:

We have audited the accompanying financial statements of Marion Township, Noble 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, Noble County, 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 May 23, 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

May 23, 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>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$13,834	\$20,760	\$6,000	\$40,594
Intergovernmental	10,592	64,184		74,776
Earnings on Investments	1,522	4		1,526
Other Revenue	127			127
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	26,075	84,948	6,000	117,023
Cash Disbursements:				
Current:				
General Government	20,579			20,579
Public Safety		6,746		6,746
Public Works	175	71,331		71,506
Capital Outlay		48,971		48,971
Debt Service:				
Redemption of Principal	2,200	4,645	3,229	10,074
Interest and Fiscal Charges			2,771	2,771
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	22,954	131,693	6,000	160,647
Total Cash Receipts Over/(Under) Cash Disbursements	3,121	(46,745)	0	(43,624)
Fund Cash Balances, January 1	3,483	71,928	333	75,744
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$6,604	\$25,183	\$333	\$32,120

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

**MARION TOWNSHIP
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
NONEXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Nonexpendable Trust
Operating Cash Receipts:	\$
Total Operating Cash Receipts	0
Operating Income/(Loss)	0
Fund Cash Balance, January 1	3,800
Fund Cash Balance, December 31	\$3,800

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**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$13,982	\$16,037	\$11,000	\$41,019
Intergovernmental	7,365	119,132		126,497
Earnings on Investments	900	46		946
Other Revenue	1,256			1,256
	<u>23,503</u>	<u>135,215</u>	<u>11,000</u>	<u>169,718</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	22,292			22,292
Public Safety		5,117		5,117
Public Works	100	58,275		58,375
Capital Outlay		12,499		12,499
Debt Service:				
Redemption of Principal	2,200	4,645	7,601	14,446
Interest and Fiscal Charges			3,070	3,070
	<u>24,592</u>	<u>80,536</u>	<u>10,671</u>	<u>115,799</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(1,089)</u>	<u>54,679</u>	<u>329</u>	<u>53,919</u>
Fund Cash Balances, January 1	<u>4,572</u>	<u>17,249</u>	<u>4</u>	<u>21,825</u>
Fund Cash Balances, December 31	<u>\$3,483</u>	<u>\$71,928</u>	<u>\$333</u>	<u>\$75,744</u>

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

**MARION TOWNSHIP
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCE
 NONEXPENDABLE TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	Nonexpendable Trust
Operating Cash Receipts:	\$
Total Operating Cash Receipts	0
Operating Income/(Loss)	0
Fund Cash Balance, January 1	3,800
Fund Cash Balance, December 31	\$3,800

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**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Marion Township, Noble 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 cemetery maintenance. The Township contracts with the Summerfield Volunteer Fire Department, to provide fire and ambulance 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

The Certificate of Deposit is valued at cost.

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 Funds:

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

Equipment Note Fund - This fund was established to service the debt incurred from the purchase of a Ford Tractor.

4. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain a corpus of the trust, the fund is classified as a nonexpendable trust fund. The Township has established a Cemetery Bequest Fund as a Nonexpendable Trust Fund.

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 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.

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.

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

2. EQUITY IN POOLED CASH

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

	1999	1998
Demand Deposits	\$35,920	\$79,544

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

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	\$19,065	\$26,075	\$7,010
Special Revenue	64,815	84,948	20,133
Debt Service	6,000	6,000	0
Nonexpendable Trust			0
Total	\$89,880	\$117,023	\$27,143

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$22,548	\$22,954	(\$406)
Special Revenue	137,072	131,693	5,379
Debt Service	6,004	6,000	4
Nonexpendable Trust	3,800		3,800
Total	\$169,424	\$160,647	\$8,777

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$21,952	\$23,503	\$1,551
Special Revenue	123,223	135,215	11,992
Debt Service	11,000	11,000	0
Nonexpendable Trust			0
Total	\$156,175	\$169,718	\$13,543

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

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$26,398	\$24,592	\$1,806
Special Revenue	140,471	80,536	59,935
Debt Service	11,004	10,671	333
Nonexpendable Trust	3,130		3,130
Total	\$181,003	\$115,799	\$65,204

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.

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.

5. DEBT

Debt outstanding at December 31, 1999, was as follows:

	Principal	Interest Rate
General Obligation Notes	\$36,708	7.00%
Tax Refund Payable	20,535	0.00%
Total	\$57,243	

The general obligation notes were issued to finance the purchase of a new tractor to be used for Township roads. The notes are collateralized solely by the Township's taxing authority and are being retired through the Equipment Note Fund. The tax refund is a long-term obligation for a repayment of taxes to Texas Eastern Transmission Corporation, a public utility company, for tax years 1991 through 1996. The repayment of taxes will be made from township funds receiving personal property taxes through deductions from tax settlements by the Noble County Auditor.

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

5. DEBT (Continued)

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

Year ending December 31:	General Obligation Notes	Tax Refund	Total
2000	\$6,000	\$6,845	\$12,845
2001	35,394	6,845	42,239
2002		6,845	6,845
Total	<u>\$41,394</u>	<u>\$20,535</u>	<u>\$61,929</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. This plan provides 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. 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 healthcare insurance to full-time employees 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
Noble County
26655 St. Rt. 78
Summerfield, Ohio 43788

To the Board of Trustees:

We have audited the accompanying financial statements of Marion Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 23, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-41061-001 through 1999-41061-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 23, 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 judgement, 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 1999-41061-005.

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 consider item 1999-41061-005 to be 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 May 23, 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

May 23, 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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Findings for Adjustment

FINDING NUMBER 1999-41061-001

1. Ohio Rev. Code Section 5705.10 states that all revenue derived from a specific source shall be credited to a special fund for the purpose for which the monies were received.

In 1998, the Clerk recorded monies set aside by the County Auditor on the Statement of Semi-Annual Apportionment of Taxes for the Equipment Note Fund into the Township's Road and Bridge Fund in the amount of \$11,000.

A finding for adjustment is hereby issued against the Road and Bridge Fund of Marion Township in the amount of \$11,000, in favor of the Equipment Note Fund. The Clerk has posted this adjustment to his records, and this adjustment is reflected in the accompanying 1998 financial statements.

FINDING NUMBER 1999-41061-002

2. Ohio Rev. Code Section 5705.10 states that all revenue derived from a specific source shall be credited to a special fund for the purpose for which the monies were received.

In 1998, the Clerk recorded homestead and rollback monies into the Permissive Motor Vehicle License Tax Fund in the amount of \$107, which should have been receipted into the Fire Levy Fund.

A finding for adjustment is hereby issued against the Permissive Motor Vehicle License Tax Fund of Marion Township in the amount of \$107, in favor of the Fire Levy Fund. The Clerk has posted this adjustment to his records, and this adjustment is reflected in the accompanying 1998 financial statements.

FINDING NUMBER 1999-41061-003

3. Ohio Rev. Code Section 5705.10 states, in part, that money paid into any fund shall be used for the purposes for which such fund was established.

In 1998, the Clerk paid note debt from the Township's Road and Bridge Fund in the amount of \$2,000 and from the Township's Gas Tax Fund in the amount of \$8,670, which should have been paid from the Equipment Note Fund.

A finding for adjustment is hereby issued against the Debt Service Fund of Marion Township in the amount of \$10,670, and in favor of the Road and Bridge Fund in the amount of \$2,000, and in favor of the Gas Tax Fund in the amount of \$8,670. The Clerk has posted this adjustment to his records, and this adjustment is reflected in the accompanying 1998 financial statements.

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Noncompliance Citation

FINDING NUMBER 1999-41061-004

4. Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same 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. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two “exceptions” to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of Board of Township Trustees.

We noted that 72% of tested expenditures were not certified by the Clerk until after the liability had been incurred. These commitments were not subsequently approved by the Board of Trustees within the aforementioned 30 day time period.

We recommend the Township utilize purchase orders to document the Clerk’s certification of the availability of appropriated funds for proposed purchases before a liability is incurred.

Reportable Condition

FINDING NUMBER 1999-41061-005

1. **Posting of Receipts and Disbursements**

Numerous receipts and disbursements were not posted into accurate receipt and appropriation classifications, based on the source of receipt or nature of disbursement. Additionally, some revenues and expenditures were posted to incorrect funds.

This resulted in numerous adjustments and reclassifications being required to fairly and accurately present the activity of the Township in the annual financial report.

We recommend the Clerk follow the Chart of Accounts as prescribed in Ohio Administrative Code Sections 117-03-20 through 117-03-23 as detailed in the Township Handbook, when posting revenue and expenditure activity to the cashbook, receipts and appropriations ledgers and review the entries in the aforementioned ledgers on a monthly basis to help ensure the accuracy of the financial records and the annual financial report of the Township.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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MARION TOWNSHIP

NOBLE 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
AUGUST 22, 2000**