



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MARION TOWNSHIP
MORGAN COUNTY

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OFFICE OF THE AUDITOR

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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, 2001 and 2000. 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 *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.

The basis of accounting prescribed by the Auditor of State requires the Township to report outstanding encumbrances at year end as budgetary expenditures. The Township did not properly record encumbrances. Accordingly, budgetary expenditures in Note 3 do not include encumbrances. It was not practical for us to determine the amount of unrecorded encumbrances at year end.

In our opinion, except for the effects of not recording year end outstanding encumbrances as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Marion Township, Morgan County, as of December 31, 2001 and 2000, 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 15, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

July 15, 2002

**MARION TOWNSHIP
MORGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$14,704	\$55,907	\$70,611
Intergovernmental	16,282	66,284	82,566
Earnings on Investments	352	352	704
	<u>31,338</u>	<u>122,543</u>	<u>153,881</u>
Total Cash Receipts	<u>31,338</u>	<u>122,543</u>	<u>153,881</u>
Cash Disbursements:			
Current:			
General Government	25,195		25,195
Public Safety		31,681	31,681
Public Works	16,610	89,639	106,249
Health		16,355	16,355
Human Services	4,186		4,186
Capital Outlay	17,634	3,567	21,201
	<u>63,625</u>	<u>141,242</u>	<u>204,867</u>
Total Cash Disbursements	<u>63,625</u>	<u>141,242</u>	<u>204,867</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(32,287)</u>	<u>(18,699)</u>	<u>(50,986)</u>
Fund Cash Balances, January 1	<u>40,886</u>	<u>34,635</u>	<u>75,521</u>
Fund Cash Balances, December 31	<u>\$8,599</u>	<u>\$15,936</u>	<u>\$24,535</u>

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

**MARION TOWNSHIP
MORGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$12,926	\$52,886	\$65,812
Intergovernmental	9,795	70,312	80,107
Earnings on Investments	863	863	1,726
Other Revenue	1,570	2,160	3,730
	<u>25,154</u>	<u>126,221</u>	<u>151,375</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	24,929		24,929
Public Safety		29,391	29,391
Public Works		85,128	85,128
Health		15,055	15,055
Human Services	5,199		5,199
Capital Outlay		3,567	3,567
	<u>30,128</u>	<u>133,141</u>	<u>163,269</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(4,974)</u>	<u>(6,920)</u>	<u>(11,894)</u>
Fund Cash Balances, January 1	<u>45,860</u>	<u>41,555</u>	<u>87,415</u>
Fund Cash Balances, December 31	<u><u>\$40,886</u></u>	<u><u>\$34,635</u></u>	<u><u>\$75,521</u></u>

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

**MARION TOWNSHIP
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

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. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection services. The Township contracts with the Chesterhill Volunteer Fire Department, Inc. 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. 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. 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:

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

Fire Fund - This fund receives property tax money to pay for fire protection services that are provided to the Township's residents.

**MARION TOWNSHIP
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 should be carried over, and would therefore not need to be reappropriated. However, the Township did not encumber purchase commitments as required by Ohio law.

A summary of 2001 and 2000 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:

	2001	2000
Demand deposits	<u>\$24,535</u>	<u>\$75,521</u>

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

Contrary to Ohio law, between March 31 and May 15, 2000, the Township's bank balance exceeded the \$100,000 FDIC coverage by as much as \$14,457 and additional collateral was not pledged.

**MARION TOWNSHIP
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,671	\$31,338	\$7,667
Special Revenue	115,800	122,543	6,743
Total	<u>\$139,471</u>	<u>\$153,881</u>	<u>\$14,410</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,968	\$63,625	(\$2,657)
Special Revenue	142,023	141,242	781
Total	<u>\$202,991</u>	<u>\$204,867</u>	<u>(\$1,876)</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,244	\$25,154	(\$3,090)
Special Revenue	119,600	126,221	6,621
Total	<u>\$147,844</u>	<u>\$151,375</u>	<u>\$3,531</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$69,861	\$30,128	\$39,733
Special Revenue	171,854	133,141	38,713
Total	<u>\$241,715</u>	<u>\$163,269</u>	<u>\$78,446</u>

Contrary to Ohio law, expenditures exceeded appropriations for the year ended December 31, 2001 as follows:

Fund	Approved Appropriations	Expenditures	Variance
General	\$60,968	\$63,625	\$(2,657)
Gasoline Tax	\$53,790	\$59,107	\$(5,317)
Cemetery	\$14,018	\$16,354	\$(2,336)

**MARION TOWNSHIP
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Also contrary to Ohio law, appropriations exceeded estimated revenues for the year ended December 31, 2001 as follows:

Fund	Approved Appropriations	Amended Official Estimate dated 8/8/01	Variance
Motor Vehicle License Tax	\$24,874	\$22,924	\$(1,950)
Gasoline Tax	\$72,691	\$61,141	\$(9,955)
Fire Protection	\$32,390	\$30,240	\$(2,150)
Permissive Motor Vehicle License Tax	\$10,021	\$ 8,921	\$(1,100)

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, is scheduled as follows:

	Operating Lease
Year ending December 31:	
2002	\$892
Total	<u>\$892</u>

**MARION TOWNSHIP
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. RETIREMENT SYSTEMS

The Township's officials and employee belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement 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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for the periods January 1, 2001 through December 31, 2001 and January 1, 2000 through June 30, 2000. For the period July 1, 2000 through December 31, 2000, PERS temporarily reduced the employer's contribution rate to 8.13% of participant's gross salaries. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Inland marine; and
- Public officials bonding.

8. JOINT VENTURES

Chesterhill Union Cemetery

The Chesterhill Union Cemetery (the "Cemetery") was established jointly, by the Village of Chesterhill and Marion Township to manage the Cemetery. A two mill levy has been levied by the Township on behalf of the Cemetery. The Cemetery is managed by a three member Board of Cemetery Trustees appointed jointly by the Chesterhill Village Council and Marion Township Board of Trustees. Any additional funding to the tax revenues provided by the levy and other fees and donations received by the Cemetery are the responsibility of the Township and the Village. The Ohio Revised Code also requires an apportionment of certain capital expenses, if any, between the Village and Township. The latest audited financial report for the Union Cemetery can be obtained by contacting the Chesterhill Union Cemetery Clerk at, 1375 St. Rt. 555, Chesterhill, Ohio 43728.

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OFFICE OF THE AUDITOR**

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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, 2001 and 2000 and have issued our report thereon dated July 15, 2002, wherein we noted the Township did not record encumbrances in its budgetary presentation. 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.

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 2001-41058-001 to 2001-41058-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 15, 2002.

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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. Reportable conditions are described in the accompanying Schedule of Findings as items 2001-41058-003 and 2001-41058-005 through 2001-41058-007.

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 the reportable conditions described above to be material weaknesses. 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 15, 2002.

This report is intended solely 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", written in a cursive style.

Jim Petro
Auditor of State

July 15, 2002

**MARION TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2001-41058-001
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Noncompliance Citation

Ohio Rev. Code Section 135.18 requires all deposits to be insured, collateralized or bonded.

The Township did not have adequate collateral from its financial institution. The Township's deposits between March 31, 2000 and May 15, 2000 exceeded the federal insurance coverage by as much as \$14,457. Collateral was not pledged to cover the amounts on deposit exceeding federal insurance coverage.

We recommend the Township ensure that deposits are adequately insured by contacting the financial institution when deposits exceed \$100,000 to obtain a statement describing either those securities specifically pledged or those securities which make up a collateral pool.

Finding Number	2001-41058-002
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Noncompliance Citation

Ohio Rev. Code Section § 5705.39 states the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded the amended official estimate during the year ended December 31, 2001 as follows:

Fund	Approved Appropriations	Amended Official Estimate dated 8/8/01	Variance
Motor Vehicle License Tax	\$24,874	\$22,924	\$(1,950)
Gasoline Tax	\$72,691	\$61,141	\$(9,955)
Fire Protection	\$32,390	\$30,240	\$(2,150)
Permissive Motor Vehicle License Tax	\$10,021	\$ 8,921	\$(1,100)

We recommend the Township refrain from adopting appropriations in excess of estimated revenues. The Clerk should obtain a certificate from the county auditor stating that total appropriations from each fund do not exceed the total estimated resources.

**MARION TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2001-41058-003
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Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.40 provides that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation.

The appropriations as approved by the Board did not agree to the appropriations entered into the appropriations ledger. The following schedules compare approved appropriations to those posted to the appropriations.

December 31, 2001:

Fund	Appropriations Posted to the UAN system	Approved Appropriations	Variance
General	\$76,068	\$60,968	\$(15,100)
Permissive Motor Vehicle License Tax	\$10,100	\$10,675	\$ 575
Gasoline Tax	\$64,790	\$53,790	\$(11,000)
Road and Bridge	\$12,454	\$ 9,754	\$ (2,700)
Fire Protection	\$32,924	\$31,924	\$ (1,000)
Cemetery	\$17,018	\$14,018	\$ (3,000)
Motor Vehicle License Tax	\$24,862	\$21,862	\$ (3,000)
Contingency Account	\$ 575	\$ 0	\$ (575)

December 31, 2000:

Fund	Appropriations Posted to the UAN system	Approved Appropriations	Variance
Road and Bridge	\$23,536	\$15,236	\$ (8,300)
Permissive Motor Vehicle License Tax	\$ 9,021	\$10,021	\$ 1,000
Contingency Account	\$ 1,000	\$ 0	\$(1,000)

Appropriations reported in Note 3 have been adjusted to reflect only those appropriations adopted by the Board, as noted in the Board's minutes.

We recommend the Board approve all appropriation amendments and note the approval in the Board's minutes. We also recommend the Clerk file all appropriation amendments with the County Auditor in order to receive certification from the County Auditor that appropriations do not exceed estimated resources and post appropriation amendments to the accounting system only after both the Board and the County Auditor have approved and certified the amendments.

**MARION TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2001-41058-004
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Noncompliance Citation

Ohio Revised Code § 5705.41(B) states that no subdivision or taxing authority is to expend money unless it has been appropriated.

The following funds had expenditures which exceeded appropriations during the year ended December 31, 2001:

Fund	Approved Appropriations	Expenditures	Variance
General	\$60,968	\$63,625	\$(2,657)
Gasoline Tax	\$53,790	\$59,107	\$(5,317)
Cemetery	\$14,018	\$16,354	\$(2,336)

We recommend the Board of Trustees and Clerk compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations. Once the Board has adopted additional appropriations, the County Budget Commission (County Auditor) should certify that appropriations do not exceed estimated resources. The Clerk should not make any expenditure unless appropriations are available.

Finding Number	2001-41058-005
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Noncompliance Citation and Material Weakness

Ohio Rev. Code § 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 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 - This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time the certification is being completed, 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 Board of Trustees may authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the Township.

- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees.

**MARION TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2001-41058-005 (Continued)
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Noncompliance Citation and Material Weakness (Continued)

Ohio Rev. Code § 5705.41(D) (Continued)

The Clerk's certification was not obtained for 65% of the expenditures tested and the aforementioned exceptions were not followed. In those instances where the Clerk's certification was obtained, the certification was not based on sound fiscal reasoning as encumbrances were not posted to the appropriation ledger and, therefore, unencumbered appropriation balances were not available to use as a basis to certify funds.

We recommend Township personnel obtain proper certification from the Clerk prior to incurring any obligation on behalf of the Township. We also recommend the Clerk utilize the encumbrance method of accounting in order to properly certify the availability of unencumbered appropriations.

Finding Number	2001-41058-006
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Material Weakness

During 2001 and 2000, the Township Clerk did not accurately post budgeted receipts to the accounting system. Variances existed between the amounts on the certificates of estimated resources and the amounts posted to the accounting system as follows:

December 31, 2001:

Fund	Budgeted Receipts per the UAN system	Budgeted Receipts per the Final Certificate of Estimated Resources	Variance
General	\$22,500	\$23,671	\$1,171
Cemetery	\$12,500	\$13,200	\$ 700
Fire Protection	\$29,000	\$29,200	\$ 200

December 31, 2000:

Fund	Budgeted Receipts per the UAN system	Budgeted Receipts per the Final Certificate of Estimated Resources	Variance
General	\$24,000	\$28,244	\$ 4,244
Motor Vehicle License Tax	\$16,000	\$14,050	\$(1,950)
Gasoline Tax	\$55,200	\$45,650	\$(9,550)
Road and Bridge	\$ 7,800	\$ 7,975	\$ 175
Cemetery	\$15,300	\$19,175	\$ 3,875
Permissive Motor Vehicle License Tax	\$ 6,000	\$ 4,900	\$(1,100)
Fire Protection	\$30,000	\$27,850	\$(2,150)

**MARION TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2001-41058-006 (Continued)
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Material Weakness (Continued)

Because the information entered into the accounting system was inaccurate, the Township management was unable to effectively monitor budget verses actual activity. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present the certified amount of estimated receipts.

We recommend the Clerk record estimated receipts directly from the certificate of estimated resources and any amendments thereto. This would ensure useful comparisons of estimated to actual receipts to be made throughout the year and help indicate when an increased or decreased amended certificate should be obtained.

Finding Number	2001-41058-007
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Material Weakness

The small size of the Township's staff did not allow for an adequate segregation of duties; the Clerk performed all accounting functions. It is therefore important the Board of Trustees function as a finance and audit committee to monitor financial activity closely and to follow up on any audit findings. While the Trustees approved all vouchers for payment, the Trustees signed blank checks for payroll and utility payments. There was no documentation of the extent to which Trustees reviewed financial information to monitor the financial activity of the Township.

Without first reviewing invoices prior to signing checks for payment of bills, improper disbursements could result. In addition, without formally reviewing financial reports and records, the Board may not be fully aware of the financial status of the Township, condition of financial records, or the untimely performance of budgetary requirements. Proper monitoring controls could prevent certain noncompliance and other reportable conditions.

We recommend the Clerk prepare monthly financial reports which include budget vs. actual information for expenditures and disbursements, as well as reconciliations and fund balances. The Board should formally review and approve said reports, with their approval noted in the minutes and attested to by their signatures on the report. In addition, we recommend the Trustees not sign checks until they are completed and accompanied by supporting documentation. Furthermore, the Board should verify that all budgetary measures requiring adoption by the Board are indeed adopted by the Board and appropriately entered in the Township's ledgers.

**MARION TOWNSHIP
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-41058-001	Material Noncompliance Citation for violation of Ohio Rev Code Section 135.18 for failure to have Township deposits properly collateralized by a financial institution.	No	Not corrected: Reissued as finding number 2001-41058-001.
1999-41058-002	Material Noncompliance Citation for violation of Ohio Rev Code Section 5705.41(B) for expenditures exceeding appropriations.	No	Not corrected: Reissued as finding number 2001-41058-004.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
AUGUST 20, 2002**