



**Auditor of State
Betty Montgomery**

MARION TOWNSHIP
PIKE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	4
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Audit Findings	18

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Marion Township
Pike County
676 SR 335
P.O. Box 45
Stockdale, Ohio 45683

To the Board of Township Trustees:

We have audited the accompanying financial statements of Marion Township, Pike County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002. 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. The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

As described 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, Pike County, as of December 31, 2003 and 2002, 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 February 7, 2005 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.

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Marion Township
Pike County
Independent Accountants' Report
Page 2

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 7, 2005

**MARION TOWNSHIP
PIKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$5,279	\$44,905	\$50,184
Intergovernmental	19,301	77,016	96,317
Licenses, Permits, and Fees		10,000	10,000
Earnings on Investments	254	64	318
Other Revenue	123	616	739
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	24,957	132,601	157,558
Cash Disbursements:			
Current:			
General Government	46,613	39,350	85,963
Public Safety	860		860
Public Works		80,612	80,612
Capital Outlay		6,935	6,935
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	47,473	126,897	174,370
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/> (22,516)	<hr/> 5,704	<hr/> (16,812)
Fund Cash Balances, January 1	<hr/> 49,360	<hr/> 28,165	<hr/> 77,525
Fund Cash Balances, December 31	<hr/> \$26,844	<hr/> \$33,869	<hr/> \$60,713

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

**MARION TOWNSHIP
PIKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$4,744	\$42,765	\$47,509
Intergovernmental	67,229	65,548	132,777
Earnings on Investments	522		522
Other Revenue	311		311
	<u>72,806</u>	<u>108,313</u>	<u>181,119</u>
Cash Disbursements:			
Current:			
General Government	30,063	39,492	69,555
Public Safety			0
Public Works		66,247	66,247
Health	977		977
Debt Service:			
Redemption of Principal		2,477	2,477
Interest and Fiscal Charges			0
Capital Outlay			0
	<u>31,040</u>	<u>108,216</u>	<u>139,256</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>41,766</u>	<u>97</u>	<u>41,863</u>
Other Financing Receipts/(Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes	0	2,477	2,477
	<u>0</u>	<u>2,477</u>	<u>2,477</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	41,766	2,574	44,340
Fund Cash Balances, January 1	<u>7,594</u>	<u>25,591</u>	<u>33,185</u>
Fund Cash Balances, December 31	<u><u>\$49,360</u></u>	<u><u>\$28,165</u></u>	<u><u>\$77,525</u></u>

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

**MARION TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Marion Township, Pike 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 Stockdale Volunteer Fire Department and the Village of Beaver 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 that is 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:

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

**MARION TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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 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 2003 and 2002 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

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

	<u>2003</u>	<u>2002</u>
Demand deposits	<u>\$60,713</u>	<u>\$77,525</u>

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

**MARION TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002, follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,310	\$24,957	(\$3,353)
Special Revenue	113,138	132,601	19,463
Total	\$141,448	\$157,558	\$16,110

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$81,000	\$47,473	\$33,527
Special Revenue	149,025	126,897	22,128
Total	\$230,025	\$174,370	\$55,655

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$73,519	\$72,806	(\$713)
Special Revenue	120,221	110,790	(9,431)
Total	\$193,740	\$183,596	(\$10,144)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$35,000	\$31,040	\$3,960
Special Revenue	125,050	108,216	16,834
Total	\$160,050	\$139,256	\$20,794

Contrary to Ohio Rev. Code Section 5705.41 (B), the Township's General Fund and Gasoline Tax, Special Revenue Fund type, had expenditures exceeding appropriations at the legal level of control during 2002 and the Township's General Fund and Gasoline Tax Fund, Special Revenue Fund type, had expenditures exceeding appropriations at the legal level of control during 2003.

Contrary to Ohio Rev. Code Section 5705.41(D), the Township failed to consistently obtain the clerk's prior certification during 2002 and 2003.

Contrary to Ohio Rev. Code Section 5705.39, the Township's appropriations exceeded estimated resources for the General Fund and Gasoline Tax Fund, Special Revenue Fund type in 2003.

**MARION TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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.

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

The Township retired notes during the audit period that were previously issued for the purchase of a tractor.

6. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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. For 2003 and 2002, OPERS 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, 2003.

7. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

**MARION TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

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Auditor of State Betty Montgomery

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

Marion Township
Pike County
676 S.R. 335
PO Box 45
Stockdale, Ohio 45683

To Board of Trustees:

We have audited the financial statements of Marion Township, Pike County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated February 7, 2005 wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit, of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 2003-001 through 2003-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated February 7, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting 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 does not require inclusion in this report, that we have reported to the Township's management in a separate letter dated February 7, 2005.

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

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 7, 2005

**MARION TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code § 5705.41(D) (1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the township can authorize the drawing of a warrant for the payment of the amount due. The township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Fiscal officers may prepare so-called "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, the \$5,000 limit on the issuance of blanket certificates and the requirement that blanket certificates not extend beyond three months have been removed from the law. Effective September 26, 2003, blanket certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 45% of expenditures in 2002 and 56% of expenditures in 2003. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**MARION TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

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

**FINDING NUMBER 2003-001
(Continued)**

Noncompliance Citation (Continued)

Ohio Rev. Code § 5705.41(D) (1) (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Township Clerk certify that funds are or will be available prior to obligation by the township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Ohio Rev. Code Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Ohio Rev. Code Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 5705.39 prohibits a subdivision from making appropriations from any fund in excess of the amount of available resources for that fund as certified by the Budget Commission.

Appropriations exceeded total estimated resources available for expenditure, as certified by the County Budget Commission, in the following funds by the following amounts:

2003

General Fund	\$ 3,330
Gas Tax Fund	\$11,275

Prior to the Board authorizing the original appropriations or approving any amendments, we recommend the Township compare appropriations with the Certificate of Estimated Resources to ensure that appropriations will not exceed the Township's estimated resources.

**MARION TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

The Township had expenditures which exceeded appropriations at the legal level of control as follows in 2002:

General Fund	
Trustees' Salaries	\$2,138
Other – Insurance and Bonding	\$2,122
Gas Fund	
Operating Supplies	\$6,491

The Township had expenditures which exceeded appropriations at the legal level of control as follows in 2003:

General Fund	
Trustees' Salaries	\$3,207
Other – Insurance and Bonding	\$9,236

We recommend the Township Clerk monitor available appropriations, and deny payments that exceed appropriations. If available resources exist to make payment, management should request the Board of Trustees to consider amending appropriations through Board resolution. The Board of Trustee's approval of the amended appropriations should be in the form of a resolution documented in the minute record.

FINDING NUMBER 2003-004

Finding for Adjustment

Ohio Const. Art. XII, Section 5a, and 1982 Op. Atty. Gen 82-031 require that interest earned on money derived from a Motor Vehicle License or Fuel Tax shall be paid into the fund to which the principal belongs.

The Township had a finding for adjustment issued in the 2000/2001 audit report in the amount of \$859 against the General Fund in favor of the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$859 for not distributing the interest to the required fund for the years 2000 and 2001. The Township declined to make this adjustment in the prior audit and the current audit.

The Township did not distribute the required interest to the Motor Vehicle License Tax Fund, Special Revenue Fund type and the Gasoline Tax Fund, Special Revenue Fund type for 2002. All of the interest earned by the Township in 2002 was credited to the General Fund. Interest revenue is due from the General Fund in the amount of \$143, and due to the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$143. The Township declined to make this adjustment for the current audit.

We are hereby issuing a finding for adjustment against the General Fund in the amount of \$1,002, in favor of the Gasoline Tax Fund, Special Revenue Fund type, in the cumulative amount of \$1,002. Interest was properly credited beginning in 2003.

**MARION TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-005

Finding Repaid Under Audit

In Marion Township, Pike County, Resolution Number 103-01, adopted at the December 17, 2001 meeting, authorized the reimbursement for out-of-pocket insurance premiums paid by Township officials at a maximum of \$3,600 per year, as authorized under Ohio Rev. Code Section 505.60. Since the Township does not have a group plan for health insurance but instead pays a stated reimbursement amount to each employee, it appears the Township intended to adopt the Resolution under the authorization of Ohio Revised Code Section 505.601. Ohio Rev. Code 505.601 allows a board of township trustees, which does not procure an insurance policy or group health care services as provided in Section 505.60 of the Ohio Revised Code to reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of section 505.60 of the Ohio Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

- (A) The board of township trustee adopts a resolution that states that the township has chosen not to procure a health care plan under Section 505.60 of the Ohio Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium that they incur for insurance policies described in division (A) of Section 505.60 of the Ohio Revised Code that they otherwise obtain.
- (B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee, beyond which the township will not reimburse the officer or employees.
- (C) That resolution states the specific benefits listed in division (A) of Section 505.60 of the Ohio Revised Code for which the Township will reimburse all officers and employees of the Township. The Township may not reimburse officers and employees for benefits other than those listed in division (A) of Section 505.60 of the Ohio Revised Code.

Resolution Number 103-01 adopted at the December 17, 2001 meeting set the reimbursement maximum at \$3,600 per year. The Township reimbursed Berlin Caudell, Board of Trustee, three thousand six hundred dollars (\$3,600) but the Board of Trustee only provided source documentation for out-of-pocket expenses to support a reimbursement in the amount of \$3,308.52 during 2003.

	<u>2003</u>
Amount Reimbursed	\$3,600.00
Documentation for reimbursement	<u>3,308.52</u>
Amount over reimbursed	<u>\$ 291.48</u>

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Berlin Caudell, Board of Trustee, and Ohio Township Association Risk Management Authority Bond Number 488-1, his bonding company, jointly and severally, in the amount of \$291.48, in favor of the Marion Township Gasoline Tax Fund. Berlin Caudell paid \$291.48 with check number 2089 to the Township on February 1, 2005.

**MARION TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-006

Noncompliance Citation

Ohio Rev. Code Section 505.24 states the Board may establish a resolution that the Board of Trustees be paid an annual salary to be paid in 12 equal monthly payments with the amount of the salary approved by the Board of Trustees not to be in excess of the maximum amount that could be received annually if paid on a per diem basis and shall be paid from the General Fund or from such other Township funds in such proportions as the board may specify by resolution.

The Township adopted a retroactive resolution stating the Board of Trustees compensation and benefits be paid as follows: General (11%) and Gas Tax (89%) in 2002 and General (17%) and Gas Tax (83%) in 2003.

The Township did not pay two Board of Trustees elected in 2001, beginning new terms in January of 2002, the increase allowed by Ohio Revised Code resulting in an underpayment of each Board of Trustee in the amount of \$85.04.

We recommend the Township pass a retroactive resolution that Board of Trustees salaries be paid as noted above and we recommend the Township pass an annual resolution stating the funds and percentages of funds the Board of Trustees salaries are to be paid from. We also recommend the Township Clerk pay all benefits from those funds from which the respective officials and employees are paid and in that proportion to those payments. The Township passed a retro-active resolution dated November 1, 2004 to set percentages for 2002 and 2003, this resolution is numbered 116-04.

**MARION TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-47066-002	Ohio Rev. Code Section 5705.41(D): failure to certify funds	No	Not corrected – repeated in the GAGAS letter as finding 2003-001.
2001-47066-001	Ohio Rev. Code Section 5705.39: appropriations exceeding total estimated resources	No	Not corrected – repeated in the GAGAS letter as finding 2003-002.
2001-47066-003	Ohio Rev. Code Section 5705.41 (B): appropriations exceeding total expenditures	No	Not corrected – repeated in the GAGAS letter as finding 2003-003.
2001-47066-004	Ohio Const. Art. XII, Section 5a and Op. Atty. Gen. No 82-031: interest earned not distributed to required funds	No	Not corrected – repeated in the GAGAS letter as finding 2003-004.



**Auditor of State
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MARION TOWNSHIP

PIKE 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
MARCH 3, 2005**