



Mary Taylor, CPA  
Auditor of State



**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Marshall Township  
Highland County  
11867 State Route 124  
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marshall Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 processes its financial transactions with 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 audit 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 our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marshall Township, Highland County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Fire District, and Permissive Motor Vehicle License Tax Funds, thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

For the years ended December 31, 2006 and 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2007, 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 grant agreements and other matters.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242

Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577

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While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

November 20, 2007

MARSHALL TOWNSHIP  
HIGHLAND COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
Unaudited

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This discussion and analysis of Marshall Township's financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2006 and 2005, within the limitations of the Township's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2006 and 2005 are as follows:

In 2006, the Township's net assets showed only a moderate decrease over 2005 of \$6,870 or 4%. This decrease was in large part due to the increase in public safety disbursements of 12,013 or 104% which was the result of fire truck repairs during 2006. In 2005, the Township's net assets decreased by a slight \$2,134 or 1% as compared to 2004. This increase was in large part due to an increase in the Township public works expenditures of \$68,678 or 191% which was attributed to road projects, and road clearing as the result of an ice storm which hit the local area in December of 2004. This increase in expenditures was reduced by an offsetting intergovernmental receipt of \$11,032 in FEMA Grant monies in 2005.

Additionally, the township added a school committee fund beginning in 2005 to account for the community and fund raising activities of the Marshall School Committee which was established to manage the activities of the Marshall School building which was acquired at the end of 2004. Activities of the school committee fund added \$8,094 to net assets in 2006, and \$87 in 2005.

The Township's general receipts are primarily property and sales tax. During 2006 and 2005 these receipts represented 50% and 52% respectively of the total cash received for governmental activities. Property tax receipts for 2006 and 2005 changed very little compared to 2004 as property values showed only moderate increases. The Township's program receipts are primarily excise gas tax and permissive motor vehicle license tax. Excise tax receipts related to fuel sales increased \$7,890 or 10% in 2006 over 2005, and increased \$9,141 or 13% in 2005 over 2004. Permissive motor vehicle license tax levied by the county for 2006 and 2005 remained fairly consistent.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

MARSHALL TOWNSHIP  
HIGHLAND COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
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**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2006 and 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and sales taxes.

**Reporting the Government's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

The Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gas Fund, Fire Fund, and Permissive Motor Vehicle License Fund. The programs



MARSHALL TOWNSHIP  
 HIGHLAND COUNTY  
 MANAGEMENT DISCUSSION AND ANALYSIS  
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reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**The Government as a Whole**

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005 cash basis:

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Cash and Cash Equivalents	\$169,009	\$175,879
Total Assets	\$169,009	\$175,879
<b>Net Assets</b>		
Restricted for:		
Road Maintenance	73,554	96,493
Fire Protection	26,677	32,298
Other Purposes	13,730	3,757
Unrestricted	55,048	43,331
Total Net Assets	\$169,009	\$175,879

Net assets of governmental activities decreased \$6,870 or 4 % during 2006. The primary reasons contributing to the decreases in cash balances are as follows:

- Increases in salaries ranging from 2.4% to 3% based on current negotiated agreements.
- A Federal Emergency Management Agency (FEMA) grant was received in 2005 in the amount of \$11,032 to defray the cost related to an ice storm at the end of 2004.
- The Township had several streets that were in very poor condition that needed extensive repairs costing in excess of \$58,042.

Table 2 reflects the changes in net assets on a cash basis in 2006 and 2005 for governmental activities.

MARSHALL TOWNSHIP  
HIGHLAND COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
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Unaudited

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(Table 2)  
**Changes in Net Assets**

	Governmental	
	Activities	
	2006	2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$7,468	\$7,333
Operating Grants and Contributions	95,604	89,007
Total Program Receipts	<u>103,072</u>	<u>96,340</u>
General Receipts:		
Property and Other Local Taxes	66,053	58,308
Grants and Entitlements Not Restricted to Specific Programs	18,657	37,841
Interest	6,326	4,113
Miscellaneous	10,914	2,047
Total General Receipts	<u>101,950</u>	<u>102,309</u>
Total Receipts	<u>205,022</u>	<u>198,649</u>
Disbursements:		
General Government	75,716	66,915
Security of Persons and Property:		
Public Safety	23,568	11,555
Public Works	93,511	104,558
Health	5,433	5,204
Other	836	0
Capital Outlay	2,904	2,768
Debt Service:		
Principal Retirement	6,300	6,000
Interest and Fiscal Charges	3,624	3,783
Total Disbursements	<u>211,892</u>	<u>200,783</u>
(Decrease) in Net Assets	(6,870)	(2,134)
Net Assets, Beginning of Year	<u>175,879</u>	<u>178,013</u>
Net Assets, End of Year	<u>\$169,009</u>	<u>\$175,879</u>

In 2006, Program receipts represent 50% of total receipts. In 2005, Program receipts represent 48% of total receipts. Program receipts are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

In 2006, General receipts represent 50% of the Township's total receipts, and of this amount, 65% are local taxes. State and federal grants and entitlements, and the Marshall School Committee Fund make up the balance in the Township's general receipts (29%). Other receipts are very insignificant and somewhat unpredictable revenue sources. In 2005, General receipts represent 52% of the Township's total receipts, and of this amount, 57% are local taxes. State and federal grants and entitlements make

MARSHALL TOWNSHIP  
HIGHLAND COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
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up the balance in the Township's general receipts (37%). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of official's salaries and benefits, Township hall maintenance, utilities and purchasing. Public Safety are the costs of providing fire protection to the residents of the Township, which were greater in 2006 due to the purchase of fire ladders and other fire equipment. Health costs are the property tax deductions to the county health departments. Public Works are the costs of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities on pages 10 and 18, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$75,716	(\$75,716)	\$66,915	(\$66,915)
Public Safety	\$23,568	(\$23,568)	\$11,555	(\$11,555)
Public Works	93,511	9,561	104,558	(8,218)
Health	5,433	(5,433)	5,204	(5,204)
Other	836	(836)	0	0
Principal Retirement	9,204	(9,204)	8,768	(8,768)
Interest and Fiscal Charges	3,624	(3,624)	3,783	(3,783)
<b>Total Expenses</b>	<b>\$211,892</b>	<b>(\$108,820)</b>	<b>\$200,783</b>	<b>(\$104,443)</b>

The dependence upon property and sales tax receipts is apparent as over 50% of governmental activities are supported through these general receipts.

MARSHALL TOWNSHIP  
HIGHLAND COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
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**The Government's Funds**

In 2006, total governmental funds had receipts of \$205,022 and disbursements of \$211,892. The greatest change within governmental funds occurred within the Other Governmental Funds, because of the FEMA receipt in 2005, the addition of the Marshall School Committee fund in 2006 and the Fire Fund due to fire equipment purchases and repairs. In 2005, total governmental funds had receipts of \$198,649 and disbursements of \$200,783. The greatest change within governmental funds occurred within the General and Gas Tax Fund, because all medical benefits which were paid out of the General Fund in 2004, but were paid out of the Gas Tax fund in 2005. Gas Tax Fund receipts were less than disbursements by \$26,074 in 2006 indicating that the Gas Tax Fund is in a deficit spending situation.

**General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2006 and 2005, the Township final budgeted receipts were below original budgeted receipts due to unexpected slow growth in tax receipts. The difference between final budgeted receipts and actual receipts was not significant. General Fund receipts received in 2005 were \$11,115 greater than was budgeted and were \$4,818 greater in 2006.

In 2005, final disbursements were budgeted at \$73,274 while actual disbursements were \$41,449 in the General Fund. In 2006, final disbursements were budgeted at \$83,700 while actual disbursements were \$34,100 in the General Fund. Although receipts failed to live up to expectations, appropriations were not reduced. The Township kept spending very close to budgeted amounts as demonstrated by the minor reported variances, however, receipts failed to keep pace with disbursements resulting in minor fund balances.

**Capital Assets and Debt Administration**

**Capital Assets**

The Township does not report capital assets under the cash basis of accounting.

**Debt**

At December 31, 2006, the Township's outstanding debt included \$73,017 for fire truck and dump truck. For further information regarding the Township's debt, refer to Note 11 to the basic financial statements.

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sonya L. Blankeship, Marshall Township, 11867 St. Rt. 124, Hillsboro, OH 45133.

**MARSHALL TOWNSHIP**  
**HIGHLAND COUNTY**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2006*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$169,009</u>
<i>Total Assets</i>	<u><u>\$169,009</u></u>
<b>Net Assets</b>	
Restricted for:	
Road Maintenance	\$73,554
Fire Protection	26,677
Other Purposes	13,730
Unrestricted	<u>55,048</u>
<i>Total Net Assets</i>	<u><u>\$169,009</u></u>

See accompanying notes to the basic financial statements

**MARSHALL TOWNSHIP**  
**HIGHLAND COUNTY**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2006*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Government	\$75,716	\$0	\$0	(\$75,716)
Public Safety	23,568	0	0	(23,568)
Public Works	93,511	7,468	95,604	9,561
Health	5,433	0	0	(5,433)
Other	836	0	0	(836)
Capital Outlay	2,904	0	0	(2,904)
Debt Service:				
Principal Retirement	6,300	0	0	(6,300)
Interest and Fiscal Charges	3,624	0	0	(3,624)
<b>Total Governmental Activities</b>	<u>\$211,892</u>	<u>\$7,468</u>	<u>\$95,604</u>	<u>(108,820)</u>
		<b>General Receipts</b>		
		Property Taxes Levied for:		
		General Purposes		66,053
		Grants and Entitlements not Restricted to Specific Programs		18,657
		Interest		6,326
		Miscellaneous		10,914
		<i>Total General Receipts</i>		<u>101,950</u>
		Change in Net Assets		(6,870)
		<i>Net Assets Beginning of Year</i>		<u>175,879</u>
		<i>Net Assets End of Year</i>		<u><u>\$169,009</u></u>

See accompanying notes to the basic financial statements

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2006*

	<u>General</u>	<u>Gasoline Tax</u>	<u>Fire District</u>	<u>Permissive MVL</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$55,048	\$31,873	\$26,677	\$20,859	\$34,552	\$169,009
<i>Total Assets</i>	<u>\$55,048</u>	<u>\$31,873</u>	<u>\$26,677</u>	<u>\$20,859</u>	<u>\$34,552</u>	<u>\$169,009</u>
<b>Fund Balances</b>						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	55,048					55,048
Special Revenue Funds		31,873	26,677	20,859	34,552	113,961
<i>Total Fund Balances</i>	<u>\$55,048</u>	<u>\$31,873</u>	<u>\$26,677</u>	<u>\$20,859</u>	<u>\$34,552</u>	<u>\$169,009</u>

See accompanying notes to the basic financial statements

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2006*

	General	Gasoline Tax	Fire District	Permissive MVL	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and Other Local Taxes	\$27,827	\$0	\$24,016	\$6,609	\$13,539	\$71,991
Charges for Services	0	0	0	0	1,530	1,530
Intergovernmental	14,486	85,123	2,831	3,960	7,861	114,261
Interest	3,456	1,488	0	1,024	358	6,326
Other	49	0	435	0	10,430	10,914
<i>Total Receipts</i>	<u>45,818</u>	<u>86,611</u>	<u>27,282</u>	<u>11,593</u>	<u>33,718</u>	<u>205,022</u>
<b>Disbursements</b>						
Current:						
General Government	30,781	42,204	266	0	2,465	75,716
Public Safety	206	0	23,362	0	0	23,568
Public Works	276	70,481	0	16,379	6,375	93,511
Health	2,838	0	0	0	2,595	5,433
Other	0	0	0	0	836	836
Debt Service:						
Principal Retirement	0	0	6,300	0	2,904	9,204
Interest and Fiscal Charges	0	0	2,975	0	649	3,624
<i>Total Disbursements</i>	<u>34,101</u>	<u>112,685</u>	<u>32,903</u>	<u>16,379</u>	<u>15,824</u>	<u>211,892</u>
<i>Net Change in Fund Balances</i>	11,717	(26,074)	(5,621)	(4,786)	17,894	(6,870)
<i>Fund Balances Beginning of Year</i>	<u>43,331</u>	<u>57,947</u>	<u>32,298</u>	<u>25,645</u>	<u>16,658</u>	<u>175,879</u>
<i>Fund Balances End of Year</i>	<u>\$55,048</u>	<u>\$31,873</u>	<u>\$26,677</u>	<u>\$20,859</u>	<u>\$34,552</u>	<u>\$169,009</u>

See accompanying notes to the basic financial statements



**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis*

*General Fund*

*For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$24,901	\$24,901	\$27,827	\$2,926
Intergovernmental	12,963	12,963	14,486	1,523
Interest	3,092	3,092	3,456	364
Other	44	44	49	5
<i>Total receipts</i>	<u>41,000</u>	<u>41,000</u>	<u>45,818</u>	<u>4,818</u>
<b>Disbursements</b>				
Current:				
General Government	75,551	75,551	30,781	44,770
Public Safety	506	506	206	300
Public Works	677	677	276	401
Health	6,966	6,966	2,838	4,128
<i>Total Disbursements</i>	<u>83,700</u>	<u>83,700</u>	<u>34,101</u>	<u>49,599</u>
<i>Net Change in Fund Balance</i>	<u>(42,700)</u>	<u>(42,700)</u>	<u>11,717</u>	<u>54,417</u>
<i>Fund Balance Beginning of Year</i>	43,331	43,331	43,331	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$631</u>	<u>\$631</u>	<u>\$55,048</u>	<u>\$54,417</u>

See accompanying notes to the basic financial statements

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis*

*Gasoline Tax*

*For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$68,060	\$68,060	\$85,123	\$17,063
Interest	1,190	1,190	1,488	298
<i>Total receipts</i>	<u>69,250</u>	<u>69,250</u>	<u>86,611</u>	<u>17,361</u>
<b>Disbursements</b>				
Current:				
General Government	47,601	47,601	42,204	5,397
Public Works	79,493	79,493	70,481	9,012
<i>Total Disbursements</i>	<u>127,094</u>	<u>127,094</u>	<u>112,685</u>	<u>14,409</u>
<i>Net Change in Fund Balance</i>	<u>(57,844)</u>	<u>(57,844)</u>	<u>(26,074)</u>	<u>31,770</u>
<i>Fund Balance Beginning of Year</i>	57,947	57,947	57,947	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>103</u>	<u>103</u>	<u>31,873</u>	<u>31,770</u>

See accompanying notes to the basic financial statements

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis*

*Fire District Fund*

*For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$21,246	\$21,246	\$24,016	\$2,770
Intergovernmental	2,504	2,504	2,831	327
Other	385	385	435	50
<i>Total receipts</i>	<u>24,135</u>	<u>24,135</u>	<u>27,282</u>	<u>3,147</u>
<b>Disbursements</b>				
Current:				
General Government	458	458	266	192
Public Safety	40,195	40,195	23,362	16,833
Debt Service:				
Principal Retirement	10,839	10,839	6,300	4,539
Interest and Fiscal Charges	5,118	5,118	2,975	2,143
<i>Total Disbursements</i>	<u>56,610</u>	<u>56,610</u>	<u>32,903</u>	<u>23,707</u>
<i>Net Change in Fund Balance</i>	<u>(32,475)</u>	<u>(32,475)</u>	<u>(5,621)</u>	<u>26,854</u>
<i>Fund Balance Beginning of Year</i>	32,298	32,298	32,298	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>(\$177)</u>	<u>(\$177)</u>	<u>\$26,677</u>	<u>\$26,854</u>

See accompanying notes to the basic financial statements

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Permissive Motor Vehicle License Tax  
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$364	\$364	\$6,609	\$6,245
Intergovernmental	9,214	9,214	3,960	(5,254)
Interest	928	928	1,024	96
<i>Total receipts</i>	<u>10,506</u>	<u>10,506</u>	<u>11,593</u>	<u>1,087</u>
<b>Disbursements</b>				
Current:				
Public Works	36,117	36,117	16,379	19,738
<i>Total Disbursements</i>	<u>36,117</u>	<u>36,117</u>	<u>16,379</u>	<u>19,738</u>
<i>Net Change in Fund Balance</i>	<u>(25,611)</u>	<u>(25,611)</u>	<u>(4,786)</u>	<u>20,825</u>
<i>Fund Balance Beginning of Year</i>	25,645	25,645	25,645	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$34</u>	<u>\$34</u>	<u>\$20,859</u>	<u>\$20,825</u>

See accompanying notes to the basic financial statements

**MARSHALL TOWNSHIP**  
**HIGHLAND COUNTY**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2005*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$175,879</u>
<i>Total Assets</i>	<u><u>\$175,879</u></u>
<b>Net Assets</b>	
Restricted for:	
Road Maintenance	\$96,493
Fire Protection	32,298
Other Purposes	3,757
Unrestricted	<u>43,331</u>
<i>Total Net Assets</i>	<u><u>\$175,879</u></u>

See accompanying notes to the basic financial statements

**MARSHALL TOWNSHIP**  
**HIGHLAND COUNTY**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2005*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Government	\$66,915	\$0	\$0	(\$66,915)
Public Safety	11,555	0	0	(11,555)
Public Works	104,558	7,333	89,007	(8,218)
Health	5,204	0	0	(5,204)
Capital Outlay	2,768	0	0	(2,768)
Debt Service:				
Principal Retirement	6,000	0	0	(6,000)
Interest and Fiscal Charges	3,783	0	0	(3,783)
<i>Total Governmental Activities</i>	<u>\$200,783</u>	<u>\$7,333</u>	<u>\$89,007</u>	<u>(104,443)</u>
		<b>General Receipts</b>		
		Property Taxes Levied for:		
		General Purposes		58,308
		Grants and Entitlements not Restricted to Specific Programs		37,841
		Interest		4,113
		Miscellaneous		2,047
		<i>Total General Receipts</i>		<u>102,309</u>
		Change in Net Assets		(2,134)
		<i>Net Assets Beginning of Year</i>		<u>178,013</u>
		<i>Net Assets End of Year</i>		<u>\$175,879</u>

See accompanying notes to the basic financial statements

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2005*

	<u>General</u>	<u>Gasoline Tax</u>	<u>Fire District</u>	<u>Permissive MVL</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	<u>\$43,331</u>	<u>\$57,947</u>	<u>\$32,298</u>	<u>\$25,645</u>	<u>\$16,658</u>	<u>\$175,879</u>
<i>Total Assets</i>	<u><u>\$43,331</u></u>	<u><u>\$57,947</u></u>	<u><u>\$32,298</u></u>	<u><u>\$25,645</u></u>	<u><u>\$16,658</u></u>	<u><u>\$175,879</u></u>
<b>Fund Balances</b>						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	43,331					43,331
Special Revenue Funds		<u>57,947</u>	<u>32,298</u>	<u>25,645</u>	<u>16,658</u>	<u>132,548</u>
<i>Total Fund Balances</i>	<u><u>\$43,331</u></u>	<u><u>\$57,947</u></u>	<u><u>\$32,298</u></u>	<u><u>\$25,645</u></u>	<u><u>\$16,658</u></u>	<u><u>\$175,879</u></u>

See accompanying notes to the basic financial statements

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005*

	General	Gasoline Tax	Fire District	Permissive MVL	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and Other Local Taxes	\$25,958	\$0	\$22,373	\$7,333	\$9,977	\$65,641
Intergovernmental	20,585	77,233	2,790	4,899	21,341	126,848
Interest	1,963	1,314	0	583	253	4,113
Other	21	1,785	132	0	109	2,047
<i>Total Receipts</i>	<u>48,527</u>	<u>80,332</u>	<u>25,295</u>	<u>12,815</u>	<u>31,680</u>	<u>198,649</u>
<b>Disbursements</b>						
Current:						
General Government	38,412	28,476	0	0	27	66,915
Public Safety	243	0	11,312	0	0	11,555
Public Works	136	50,477	0	14,558	39,387	104,558
Health	2,657	0	0	0	2,547	5,204
Debt Service:						
Principal Retirement	0	0	6,000	0	2,768	8,768
Interest and Fiscal Charges	0	0	2,998	0	785	3,783
<i>Total Disbursements</i>	<u>41,448</u>	<u>78,953</u>	<u>20,310</u>	<u>14,558</u>	<u>45,514</u>	<u>200,783</u>
<i>Net Change in Fund Balances</i>	7,079	1,379	4,985	(1,743)	(13,834)	(2,134)
<i>Fund Balances Beginning of Year</i>	<u>36,252</u>	<u>56,568</u>	<u>27,313</u>	<u>27,388</u>	<u>30,492</u>	<u>178,013</u>
<i>Fund Balances End of Year</i>	<u>\$43,331</u>	<u>\$57,947</u>	<u>\$32,298</u>	<u>\$25,645</u>	<u>\$16,658</u>	<u>\$175,879</u>

See accompanying notes to the basic financial statements



**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis*

*General Fund*

*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$20,013	\$20,013	\$25,958	\$5,945
Intergovernmental	15,870	15,870	20,585	4,715
Interest	1,513	1,513	1,963	450
Other	16	16	21	5
<i>Total receipts</i>	<u>37,412</u>	<u>37,412</u>	<u>48,527</u>	<u>11,115</u>
<b>Disbursements</b>				
Current:				
General Government	67,907	67,907	38,412	29,495
Public Safety	430	430	243	187
Public Works	240	240	136	104
Health	4,697	4,697	2,657	2,040
<i>Total Disbursements</i>	<u>73,274</u>	<u>73,274</u>	<u>41,448</u>	<u>31,826</u>
<i>Net Change in Fund Balance</i>	<u>(35,862)</u>	<u>(35,862)</u>	<u>7,079</u>	<u>42,941</u>
<i>Fund Balance Beginning of Year</i>	36,252	36,252	36,252	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$390</u>	<u>\$390</u>	<u>\$43,331</u>	<u>\$42,941</u>

See accompanying notes to the basic financial statements

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis*

*Gasoline Tax*

*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$53,840	\$53,840	\$77,233	\$23,393
Interest	916	916	1,314	398
Other	1,244	1,244	1,785	541
<i>Total receipts</i>	<u>56,000</u>	<u>56,000</u>	<u>80,332</u>	<u>24,332</u>
<b>Disbursements</b>				
Current:				
General Government	40,648	40,648	28,476	12,172
Public Works	72,052	72,052	50,477	21,575
<i>Total Disbursements</i>	<u>112,700</u>	<u>112,700</u>	<u>78,953</u>	<u>33,747</u>
<i>Net Change in Fund Balance</i>	<u>(56,700)</u>	<u>(56,700)</u>	<u>1,379</u>	<u>58,079</u>
<i>Fund Balance Beginning of Year</i>	56,568	56,568	56,568	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>(\$132)</u></u>	<u><u>(\$132)</u></u>	<u><u>\$57,947</u></u>	<u><u>\$58,079</u></u>

See accompanying notes to the basic financial statements

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Fire District Fund  
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$20,516	\$20,516	\$22,373	\$1,857
Intergovernmental	2,558	2,558	2,790	232
Other	121	121	132	11
<i>Total receipts</i>	<u>23,195</u>	<u>23,195</u>	<u>25,295</u>	<u>2,100</u>
<b>Disbursements</b>				
Current:				
Public Safety	28,090	28,090	11,312	16,778
Debt Service:				
Principal Retirement	14,899	14,899	6,000	8,899
Interest and Fiscal Charges	7,445	7,445	2,998	4,447
<i>Total Disbursements</i>	<u>50,434</u>	<u>50,434</u>	<u>20,310</u>	<u>30,124</u>
<i>Net Change in Fund Balance</i>	<u>(27,239)</u>	<u>(27,239)</u>	<u>4,985</u>	<u>32,224</u>
<i>Fund Balance Beginning of Year</i>	27,313	27,313	27,313	0
Prior Year Encumbrances Appropriated			0	0
<i>Fund Balance End of Year</i>	<u>\$74</u>	<u>\$74</u>	<u>\$32,298</u>	<u>\$32,224</u>

See accompanying notes to the basic financial statements

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Permissive Motor Vehicle License Tax  
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$6,812	\$6,812	\$7,333	\$521
Intergovernmental	4,551	4,551	4,899	348
Interest	542	542	583	41
<i>Total receipts</i>	<u>11,905</u>	<u>11,905</u>	<u>12,815</u>	<u>910</u>
<b>Disbursements</b>				
Current:				
Public Works	38,962	38,962	14,558	24,404
<i>Total Disbursements</i>	<u>38,962</u>	<u>38,962</u>	<u>14,558</u>	<u>24,404</u>
<i>Net Change in Fund Balance</i>	<u>(27,057)</u>	<u>(27,057)</u>	<u>(1,743)</u>	<u>25,314</u>
<i>Fund Balance Beginning of Year</i>	27,388	27,388	27,388	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$331</u>	<u>\$331</u>	<u>\$25,645</u>	<u>\$25,314</u>

See accompanying notes to the basic financial statements

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**Note 1 – Reporting Entity**

The Marshall Township, Highland County, Ohio (the Township), is a body politic and corporate 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 also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges and fire protection.

**B. Jointly Governed Organization**

The Township is part of the Highland County Joint Township Hospital District, a jointly governed organization established for the public purpose of better providing for the health and welfare of the people primarily of Highland County. Trustees from each of the 17 townships of Highland County constitute the Highland County Joint Township Hospital Board of Trustees who appoints the Hospital Board of Governors which is composed of one member from each township and three at-large members.

**C. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

The Township has no component units.

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

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. The Township has no business type activities.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

**Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**B. Fund Accounting**

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are all classified as governmental.

**Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Township's major governmental funds:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies** (continued)

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

Fire Levy Fund – This fund receives property tax money for providing fire protection for Township residents.

Permissive Motor Vehicle License Tax Fund – Receives proceeds from tax levied on all motor vehicle licenses sold in the Township for road maintenance and repairs.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

**C. Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

**D. Budgetary Process**

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies** (continued)

**E. Cash and Investments**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments have an original maturity of three months or less at the time of purchase and are therefore presented on financial statements as cash equivalents. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2006 and 2005, the Township invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$2,652 and during 2005 was \$1,504.

**F. Inventory and Prepaid Items**

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

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

**H. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**I. Long-Term Obligations**

The Township’s cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception.

**J. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Township’s policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available. Restricted assets represent \$113,961 of a total fund balance of \$169,009 in 2006, and \$132,548 of a total fund balance of \$175,879 in 2005.



**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies** (continued)

K. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**Note 4 – Accountability and Compliance**

A. Compliance

During 2006 and 2005, the Township did not certify the availability of funds before making certain commitments.

The Marshall School Committee paid out monies that were not approved by the township trustees nor countersigned by the township fiscal officer.

All receipts collected by the clerk of the Marshall School Committee were not deposited with the Fiscal Officer of the Township within the time required by Ohio Law.

**Note 5 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no encumbrances outstanding at year end.

**Note 6 – Deposits and Investments**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

**Note 6 – Deposits and Investments** (continued)

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

**Note 6 – Deposits and Investments** (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end 2006, \$61,701 of the Township's bank balance of \$161,701 was exposed to custodial credit risk, and at the end of fiscal year 2005, \$78,293 of the Township's bank balance of \$178,293 was exposed to credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Note 7 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2006 and 2005 was \$4.65 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

**Note 7 – Property Taxes** (Continued)

Real Property	2006	2005
Residential	\$ 12,712,490	\$ 10,620,230
Agricultural	3,730,460	3,763,720
Commercial/Industrial/Mineral	326,210	405,460
Tangible Personal Property	40,613	753,760
Business	0	0
Public Utility	824,720	74,556
Total Assessed Value	<u>\$ 17,634,193</u>	<u>\$ 15,717,726</u>

**Note 8 – Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. 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**

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006,

the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

**Property Coverage**

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

**Note 8 – Risk Management** (continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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 government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2006 and 2005.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

  

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$9,940. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

**Note 8 – Risk Management** (continued)

<b><u>Contributions to OTARMA</u></b>	
2004	\$6,190
2005	\$6,585
2006	\$6,638

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 9 – Defined Benefit Pension Plan**

**A. Ohio Public Employees Retirement System**

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.7 percent. For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004-1 were \$5,060, \$4,855, and \$4,703 respectively. The full amount has been contributed for 2006, 2005 and 2004.

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

**Note 10 - Postemployment Benefits**

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 and 2005 local government employer contribution rate was 13.7 and 13.55 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .5 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$1,662. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

**Note 11 – Debt**

The Township's long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance December 31, 2004	Reductions 2005	Reductions 2006	Balance December 31, 2006	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
Dump Truck \$21,100	4.75%	\$ 16,989	\$ 2,768	\$ 2,904	\$ 11,317	\$ 3,553
Fire Truck \$74,000	4.375%	74,000	6,000	6,300	61,700	9,119
Total long-term debt activity		<u>\$ 90,989</u>	<u>\$ 8,768</u>	<u>\$ 9,204</u>	<u>\$ 73,017</u>	<u>\$ 12,682</u>

The general obligation bonds are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The following is a summary of the Township's future annual debt service requirements:

Year	Dump Truck		Fire Truck	
	Principal	Principal	Interest	Interest
2007	\$ 3,044	\$ 509	\$6,500	\$ 2,699
2008	3,192	362	6,900	2,415
2009	3,348	205	7,100	2,113
2010	1,735	42	7,500	1,803
2011	0	0	7,900	1,474
2012– 2014	0	0	25,800	2,293
Totals	<u>\$11,319</u>	<u>\$ 1,118</u>	<u>\$61,700</u>	<u>\$12,797</u>





# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Marshall Township  
Highland County  
11867 State Route 124  
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated November 20, 2007. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-002 and 2006-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings numbered 2006-002 and 2006-003 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated November 20, 2007.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001, 2006-002, and 2006-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 20, 2007.

We intend this report solely for the information and use of the management and Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 20, 2007

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.41(D)**, requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation 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. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. 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 the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 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. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of 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.
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 extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Ten (10%), in both 2006 and 2005, of the purchases tested were initiated without obtaining the prior certification of the Clerk/Treasurer and were not subsequently approved by the Township within the aforementioned 30 day time period. Failure to properly encumber could result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2006-001  
(Continued)**

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also 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 Clerk/Treasurer 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 officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 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 5705.41(D) are satisfied. The Township should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**FINDING NUMBER 2006-002**

**Noncompliance Citation and Material Weakness**

**Ohio Rev. Code, §507.11**, provides that no money belonging to the township shall be paid out except upon an order signed by at least two of the township trustees and countersigned by the township fiscal officer. Marshall Township obtained ownership of a school building and property. The Marshall School Committee was formed with Township citizens. The purpose was to hold fundraising events to take care of the school and provide a community center for the township residents. The Marshall School Committee opened a checking account in November 2005. The Marshall School Committee did not establish by-laws, obtain a tax identification number, or file to become a not for profit organization; therefore the committee is not legally separate from the Township. All of the committee's activities should be included as part of the primary government. The Trustees did not perform monitoring functions, and the following weaknesses were noted:

- Disbursements were made from the Marshall School Committee outside checking account without committee or township trustee approval.
- Actions were not taken to establish the committee as a not-for-profit organization;
- A policy was not established between the trustees and the school committee;
- The receipts and disbursements from this outside checking account were not recorded in the township's books.
- Contracts were not utilized for rental activities at the Marshall Community Center;
- Duplicate receipts were not written or maintained for all fundraising events and donations for the Marshall Community Center;
- The Marshall School Committee did not reconcile the outside checking account on a monthly basis and did not present financial reports to the trustees;

Failure to properly record all transactions reduces internal control over receipts and disbursements and increases the probability of misappropriation, errors, or loss of public funds not being detected in a timely manner.

**FINDING NUMBER 2006-002**  
**(Continued)**

To strengthen the Township's internal control structure and reduce the likelihood of undetected errors, we recommend officials implement the following:

- The Marshall School Committee is not a legally separate organization from the Township, and therefore all disbursements should run through the Township's ledgers and be approved in the Township's minute records.
- Township Trustees and the Marshall School Committee must determine the status of the committee for reporting purposes;
- A policy is established between the trustees and the school committee stating the relationship and guidelines between the two groups;
- All receipts and disbursements pertaining to the school committee must run through the township trustees and the Marshall Township's books unless the committee establishes to become a legally separate organization;
- Contracts should be completed for all rental activities of the Marshall Community Center. These contracts should be executed by both the renter/vendor and an appropriate member of the Township's management. Duplicate receipts should be issued for payments received on all contracts, or the person receiving the cash should mark the amount paid on the contract. All contracts should be dated and all required information on the contracts should be completed;
- All rates charged for rental of the Marshall Community Center should agree to an authorized rate schedule. This rate schedule should be approved by the Board of Trustees and a copy should be maintained on file.
- Duplicate receipts should be written for rental and donations received.

The financial statements have been adjusted to include the Marshall School Committee outside checking account activity. The Marshall School Committee subsequently closed out the checking account turning over the funds to the Township. The Fiscal Officer adjusted the Township's accounting records on November 8, 2007.

**FINDING NUMBER 2006-003**

**Noncompliance Citation and Material Weakness**

**Ohio Revised Code, §9.38**, provides that public money must be deposited with the treasurer of the public office or to a designated depository on the business day of the receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

**FINDING NUMBER 2006-003  
(Continued)**

100% of receipts were not deposited timely within the Marshall School Fund and/or the Marshall School Committee checking account in 2005 and 2006. The Marshall School Committee is not a legally separate organization from the Township, and therefore all receipts should run through the Township's ledger and be deposited to the proper designated depository on the business day following the day of receipt. Failure to deposit funds in accordance with Ohio Rev. Code, Section 9.38, could result in possible misappropriation of funds. We recommend the Township implement procedures and/or a policy to ensure that all public moneys are deposited with a properly designated depository on the business day following the day of receipt.

**We did not receive a response from officials to the findings above.**

**MARSHALL TOWNSHIP  
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	ORC Section 5705.41(D)- No taxing unit make contract unless a certificate – lawfully appropriated	No	Not Corrected; Re-issued as finding 2006-001
2004-002	ORC Section 5705.41 (B)- No taxing unit is to expend money unless it has been appropriated.	No	Partially Corrected, Re-issued as a Management Letter Citation







**Mary Taylor, CPA**  
Auditor of State

**MARSHALL TOWNSHIP**

**HIGHLAND 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  
DECEMBER 20, 2007**