



Dave Yost • Auditor of State

MARION TOWNSHIP
PIKE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Marion Township
Pike County
3451 State Route 335
Beaver, Ohio 45613

To the Township Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Marion Township, Pike County, (the Township) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Marion Township, Pike County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

February 2, 2017

**MARION TOWNSHIP
PIKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$8,284	\$67,549	\$75,833
Intergovernmental	24,104	109,790	133,894
Miscellaneous	201	1,959	2,160
<i>Total Cash Receipts</i>	<u>32,589</u>	<u>179,298</u>	<u>211,887</u>
Cash Disbursements			
Current:			
General Government	38,736	24,051	62,787
Public Safety	0	50,553	50,553
Public Works	0	66,945	66,945
Debt Service:			
Principal Retirement	0	4,700	4,700
Interest and Fiscal Charges	0	1,448	1,448
<i>Total Cash Disbursements</i>	<u>38,736</u>	<u>147,697</u>	<u>186,433</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,147)</u>	<u>31,601</u>	<u>25,454</u>
<i>Net Change in Fund Cash Balances</i>	(6,147)	31,601	25,454
<i>Fund Cash Balances, January 1</i>	<u>38,089</u>	<u>176,413</u>	<u>214,502</u>
Fund Cash Balances, December 31			
Restricted	0	208,014	208,014
Assigned	31,942	0	31,942
<i>Fund Cash Balances, December 31</i>	<u>\$31,942</u>	<u>\$208,014</u>	<u>\$239,956</u>

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

**MARION TOWNSHIP
PIKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$7,806	\$63,317	\$71,123
Intergovernmental	17,206	97,624	114,830
Miscellaneous	1,431	1,341	2,772
<i>Total Cash Receipts</i>	<u>26,443</u>	<u>162,282</u>	<u>188,725</u>
Cash Disbursements			
Current:			
General Government	33,730	59,301	93,031
Public Safety	0	1,328	1,328
Public Works	0	77,118	77,118
Debt Service:			
Principal Retirement	0	4,600	4,600
Interest and Fiscal Charges	0	1,603	1,603
<i>Total Cash Disbursements</i>	<u>33,730</u>	<u>143,950</u>	<u>177,680</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(7,287)</u>	<u>18,332</u>	<u>11,045</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	7,736	0	7,736
<i>Total Other Financing Receipts (Disbursements)</i>	<u>7,736</u>	<u>0</u>	<u>7,736</u>
<i>Net Change in Fund Cash Balances</i>	449	18,332	18,781
<i>Fund Cash Balances, January 1</i>	<u>37,640</u>	<u>158,081</u>	<u>195,721</u>
Fund Cash Balances, December 31			
Restricted	0	176,413	176,413
Assigned	38,089	0	38,089
<i>Fund Cash Balances, December 31</i>	<u>\$38,089</u>	<u>\$176,413</u>	<u>\$214,502</u>

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

**MARION TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Marion Township, Pike County, as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Stockdale Volunteer Fire Department and the Village of Beaver to provide fire services.

The Township participates in jointly governed organizations and joint ventures. Notes 11 and 12 to the financial statements provides additional information for these entities These organizations are:

Jointly Governed Organizations:

Beaver Union Cemetery has one trustee from Marion Township on their governing board.

Joint Ventures:

Marion Township contracts with the Village of Beaver for fire protection and with Stockdale Volunteer Fire Department for fire protection.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**MARION TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The Township had the following significant Special Revenue Funds:

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

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

Motor Vehicle License Tax Fund – This fund receives motor vehicle license tax money to pay for constructing, maintaining and repairing Township roads.

Cemetery 1 Fund – This fund receives property tax money for maintaining the cemeteries in the Township.

Cemetery 2 Fund – This fund receives property tax money for maintaining the Beaver Union Cemetery.

Fire 1 Fund – This fund receives property tax money for fire protection provided by Beaver Village Fire Department.

Fire 2 Fund – This fund receives property tax money for fire protection provided by Stockdale Volunteer Fire Department.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**MARION TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**MARION TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2. EQUITY IN POOLED DEPOSITS

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

	2015	2014
Demand deposits	\$239,956	\$214,502
Total deposits	239,956	214,502

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; and collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,037	\$32,589	(\$1,448)
Special Revenue	186,475	179,298	(7,177)
Total	\$220,512	\$211,887	(\$8,625)

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$64,774	\$38,969	\$25,805
Special Revenue	342,277	147,697	194,580
Total	\$407,051	\$186,666	\$220,385

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,519	\$34,179	(\$11,340)
Special Revenue	191,695	162,282	(29,413)
Total	\$237,214	\$196,461	(\$40,753)

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$61,150	\$33,730	\$27,420
Special Revenue	295,591	143,950	151,641
Total	\$356,741	\$177,680	\$179,061

**MARION TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Cemetery 2 (Beaver) fund by \$3,457, Fire 1(Beaver) fund by \$2,878, Fire 2 (Stockdale) fund by \$13,309 for the year ended December 31, 2015.

Contrary to Ohio law, budgetary appropriations exceed estimated resources in the Cemetery 1 (Stockdale) fund by \$2,454 Cemetery 2 (Beaver) fund by \$1,276, Fire 1(Beaver) fund by \$2,624, Fire 2 (Stockdale) fund by \$2,094 for the year ended December 31, 2014.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$38,200	3%
Total	\$38,200	

The Township issued general obligation bonds to finance the purchase of a new CF Backhoe for Township road maintenance. The Township's taxing authority collateralized the bonds.

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

	General Obligation Bonds
Year ending December 31:	
2016	\$6,293
2017	6,121
2018	6,252
2019	6,273
2020	6,189
2021-2022	12,401
Total	\$43,529

**MARION TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

5. DEBT (Continued)

In addition to the debt described above, the Township has defeased certain debt issues from prior years. Debt principal outstanding at December 31, 2015 was \$38,200. This disclosure does not include the related defeased debt or assets, since trustee assets should provide sufficient resources to retire the debt.

6. RETIREMENT SYSTEMS

The Township's certified all employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14% respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Risk Pool Membership

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**MARION TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. RISK MANAGEMENT (Continued)

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

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, 2015 and 2014 (the latest information available):

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$2000.

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.

<u>Contributions to OTARMA</u>	
<u>2015</u>	<u>2014</u>
\$3,596	\$3,575

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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.

**MARION TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

8. CONTINGENT LIABILITIES

The Township is a defendant in a lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

Amounts grantor agencies paid to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. JOINT VENTURES

Fire 1 Fund receives property tax money for fire protection from Beaver Village. Before the end of the year the tax money received is disbursed to Beaver Village.

Fire 2 Fund receives property tax money for the protection from Stockdale Volunteer Fire Department. Before the end of the year the tax money received is disbursed to the Stockdale Volunteer Fire Department.

10. JOINTLY GOVERNED ORGANIZATIONS

One Marion Township Trustee is appointed to serve on the Beaver Union Cemetery Board. Cemetery 2 Fund receives property tax money for maintaining the Beaver Union Cemetery. When property tax money is received it is disbursed to Beaver Union Cemetery.



Dave Yost • Auditor of State

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

Marion Township
Pike County
3451 State Route 335
Beaver, Ohio 45613

To the Township Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Marion Township, Pike County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated February 2, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001, 2005-003 and 2015-005 to be material weaknesses.

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, opining 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items, 2015-002 through 2015-004.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

February 2, 2017

**MARION TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 and 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2015-001

Material Weakness

Governments are required to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Also, Governmental Accounting Standards Board (GASB) codification sections 1800.165-.179 provides guidance on the classification of fund balances. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned. GASB codification section 1800.176 clarifies that an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. As noted below, the Township did not classify year end fund balances included as a budgetary resource in the subsequent year's budget fund balance as assigned.

We noted the following conditions related to the Township's accounting system in 2014:

- Assigned fund balance in the General fund was understated by \$38,089.
- Bureau of Worker's Compensation refund was reported as intergovernmental receipts; instead of, miscellaneous receipts in the General fund and the Gasoline Tax fund in the amounts of \$129 and \$385, respectively.
- A reduction of expenditure in amount of \$ 6,951 was posted as intergovernmental receipts in the Gasoline tax fund.
- Debt payments in the Gasoline tax fund were posted as capital outlay disbursements; instead of, principal of \$4,600 and interest of \$1,603.

We noted the following conditions related to the Township's accounting system in 2015:

- Assigned fund balance in the General fund was understated by \$31,942.
- Intergovernmental receipts and public safety disbursements of \$10,000 relating to a fire grant in the Stockdale Fire fund were not recorded.
- Tax receipts were posted incorrectly to the Beaver Fire fund; instead of, the Stockdale Fire fund in the amount of \$118.
- A reduction of expenditure in amount of \$ 3,560 was posted as intergovernmental receipts in the Gasoline tax fund.
- Debt payments in the Gasoline tax fund were posted as capital outlay disbursements; instead of, principal of \$4,700 and interest of \$1,448.

**FINDING NUMBER 2015-001
 (Continued)**

The Township corrected the financial statements and accounting records, where appropriate.

Failure to accurately post and report transactions could result in material errors in the Township's financial statements and reduces the Townships ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Township.

We recommend that the Township accurately record financial transactions.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2015-002

Noncompliance

Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. The following funds were not compliant in 2014:

Fund	Current Year Appropriations	Total Certified Resources Per Final Certificate	Noncompliance Amount
Cemetery 1 (Stockdale)	\$16,471	\$14,017	\$(2,454)
Cemetery 2 (Beaver)	12,865	11,589	(1,276)
Fire 1 (Beaver)	15,493	12,869	(2,624)
Fire 2 (Stockdale)	23,062	20,968	(2,094)

Failure to monitor budgetary estimated resources and available appropriations can result in overspending funds and negative cash balances.

We recommend the Township not make appropriations which exceed estimated resources.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2015-003

Material Weakness/Noncompliance

Ohio Rev. Code, § 5705.40 describes the amending or supplementing appropriations, contingencies. Any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

**FINDING NUMBER 2015-003
(Continued)**

Appropriation changes made in both years were not approved by trustees, causing the following variance between system and approved appropriations:

Fund	Final Trustees Approved Appropriations	Appropriations Posted to Accounting System	Variance
2014 Special Revenue	\$295,591	\$284,956	\$10,635
2015 General	64,506	71,068	6,562
2015 Special Revenue	342,148	350,403	8,255

We recommend that appropriations changes be approved by trustees prior to being made.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2015-004

Noncompliance

Ohio Rev. Code, § 5705.41(B), prohibits a subdivision from making expenditure unless it has been properly appropriated. The following funds were not compliant in 2014:

Fund	Final Approved Appropriations	Total Expenditures	Noncompliance Amount
Cemetery 2 (Beaver)	\$12,865	\$13,305	\$440

The following funds were not compliant in 2015:

Fund	Final Approved Appropriations	Total Expenditures	Noncompliance Amount
Cemetery 2 (Beaver)	\$11,589	\$15,046	\$3,457
Fire 1 (Beaver)	12,685	15,536	2,878
Fire 2 (Stockdale)	21,579	34,888	13,309

The management of the Township should monitor the budgetary receipts and expenditures by having the Fiscal Officer provide budgetary reports at least quarterly to be reviewed and approved by the Township Trustees

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2015-005

Material Weakness

The Township did not have a control procedure in place to ensure that budgetary amounts, as authorized by Township Trustees and approved by the County Budget Commission, were reconciled to the budgetary amounts posted to the accounting system. This resulted in incorrect amounts being recorded in the accounting system and inaccurate budgetary information available to Township officials for their monitoring.

Variations between approved amounts and amounts recorded in the UAN system at December 31, 2014 were as follows:

Fund	Per Amended Certificate of Estimated Resources	Per Accounting System and Budgetary Footnote	Variance
General Fund	\$45,519	\$67,456	\$(21,937)
Special Revenue Funds	191,695	169,552	22,143

Variations between approved amounts and amounts recorded in the UAN system at December 31, 2015 were as follows:

Fund	Per Amended Certificate of Estimated Resources	Per Accounting System and Budgetary Footnote	Variance
General Fund	\$34,037	\$33,248	\$789
Special Revenue Funds	186,475	174,120	12,355

Township officials should monitor the budgetary activity in order to make informed decisions regarding Township finances. The proper recording of budgetary activity in the UAN system provides safeguards as the system is designed to let the fiscal officer know if budgetary violations will occur.

Adjustments were made to the budgetary activity reported in notes to the financial statements in order to accurately present estimated receipts as certified by the County Budget Commission.

We recommend the Township implement procedures to ensure official budgetary amounts are accurately posted to the accounting system and financial statements.

Officials' Response:

We did not receive a response from Officials to this finding.

**MARION TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Material Weakness - Controls over Financial Reporting	No	Reissued as 2015-001
2013-002	Ohio Rev. Code 5705.10 – Negative Fund Balance	Yes	N/A
2013-003	Ohio Rev. Code 5705.39 – Appropriations exceed total estimated resources	No	Reissued as 2015-003

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Dave Yost • Auditor of State

MARION TOWNSHIP

PIKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 16, 2017**