



Dave Yost • Auditor of State

MARION TOWNSHIP
ALLEN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Marion Township
Allen County
7100 Defiance Trail
Delphos, Ohio 45833

To the Board of 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 Allen County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016.

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 such 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, 2017 and 2016, and the respective changes in financial position thereof 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 cash balances, receipts and disbursements by fund type, and related notes of Marion Township, Allen County as of December 31, 2017 and 2016, 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 October 16, 2018 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

October 16, 2018

MARION TOWNSHIP, ALLEN COUNTY
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only) Totals</u>
Cash Receipts				
Property and Other Local Taxes	\$27,904	\$271,544		\$299,448
Licenses, Permits and Fees	3,950			3,950
Fines and Forfeitures		225		225
Intergovernmental	39,187	142,312	\$143,632	325,131
Earnings on Investments	1,315	114		1,429
Miscellaneous	680	295		975
<i>Total Cash Receipts</i>	<u>73,036</u>	<u>414,490</u>	<u>143,632</u>	<u>631,158</u>
Cash Disbursements				
Current:				
General Government	31,940	42,732		74,672
Public Safety		134,916		134,916
Public Works	2,110	177,575		179,685
Health	15,667			15,667
Capital Outlay			143,632	143,632
<i>Total Cash Disbursements</i>	<u>49,717</u>	<u>355,223</u>	<u>143,632</u>	<u>548,572</u>
<i>Excess of Receipts Over (under) Disbursements</i>	<u>23,319</u>	<u>59,267</u>	<u>0</u>	<u>82,586</u>
Other Financing Receipts				
Other Financing Sources		3,629		3,629
<i>Total Other Financing Receipts</i>		<u>3,629</u>		<u>3,629</u>
<i>Net Change in Fund Cash Balances</i>	23,319	62,896		86,215
<i>Fund Cash Balances, January 1</i>	<u>\$148,578</u>	<u>\$311,821</u>	<u>\$0</u>	<u>\$460,399</u>
Fund Cash Balances, December 31				
Restricted		261,326		261,326
Committed		113,391		113,391
Assigned	18,454			18,454
Unassigned (Deficit)	153,443			153,443
<i>Fund Cash Balances, December 31</i>	<u>\$171,897</u>	<u>\$374,717</u>	<u>\$0</u>	<u>\$546,614</u>

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

MARION TOWNSHIP, ALLEN COUNTY
Statement of Receipts, Disbursements and Change in Fund Balance (Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2017

	Private Purpose Trust
Operating Cash Receipts	
<i>Total Operating Cash Receipts</i>	0
Operating Cash Disbursements	
<i>Total Operating Cash Disbursements</i>	0
<i>Operating Income (Loss)</i>	0
Non-Operating Receipts (Disbursements)	
Other Financing Uses	0
<i>Total Non-Operating Receipts (Disbursements)</i>	0
<i>Net Change in Fund Cash Balance</i>	0
<i>Fund Cash Balance, January 1</i>	\$44,278
<i>Fund Cash Balance, December 31</i>	\$44,278

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

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 1: Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Marion Township, Allen County, Ohio (the Township), as a body corporate and politic. A publicly-elected-three-member Board of Trustees directs the Township. The Township provides road maintenance, fire protection, police protection and emergency medical services. The Township contracts with the American Township Fire Department and the City of Delphos to provide fire and ambulance services.

The Township participates in a public entity risk pool and a jointly governed organization. Notes 8 and 9 to the financial statements provides additional information for these entities. The Township management believes these financial statements present all activities for which the Township is financially accountable.

NOTE 2 Summary of Accounting Policies:

A. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. The basis is similar to the cash receipts and disbursements basis of accounting. The Township 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 adequately disclose material matters the Auditor of State prescribes.

B. Cash 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.

The Township funds are deposited in an interest bearing checking account, savings account, and certificate of deposit. All deposits are valued at cost.

C. Fund Accounting

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

1. General Fund

The general fund reports all financial resources except those required to be accounted for in another fund.

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trust or for capital projects) that are restricted to expenditure for specific purposes. The Township has the following significant Special Revenue Funds:

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

Fire District Fund – This fund receives property tax money for the fire and EMS protection within the Township.

3. Fiduciary Funds (Private Purpose Trust Fund)

This fund accounts for resources restricted by legally binding trust agreement. The Township had the following significant fund:

Bellis Trust Fund – This fund is used to account for the proceeds from the sale of the Bellis Farm. These monies are to be used for the benefit of the suffering poor of the Township.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except the fiduciary fund) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 4.

E. Capital Assets

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

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

G. Fund Balance

For December 31, 2017 Fund Balance is divided into five classifications based primarily on the extent to which the Township must observe constraints 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 regulation 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.

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 statutes.

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.

NOTE 3: EQUITY IN POOLED CASH

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

	<u>2017</u>
Demand deposits	\$22,309
Certificates of deposit	46,527
ICS savings account	<u>522,056</u>
Total deposits	<u>\$590,892</u>

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

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE: 4 BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$73,036	\$73,036	\$0
Special Revenue	418,116	418,119	3
Capital Projects	143,632	143,632	0
Total	\$634,784	\$634,787	\$3

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$82,959	\$49,840	\$33,119
Special Revenue	510,632	355,720	154,912
Capital Projects	143,632	143,632	0
Private Purpose Trust	44,278	0	44,278
Total	\$781,501	\$549,192	\$232,309

Note 5: Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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 30.

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.

Note 6: Retirement System

Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 7: Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

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. 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.

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 risk up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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.

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017.

	<u>2017</u>
Assets	\$40,010,732
Liabilities	\$(8,675,465)
Net Position – Unrestricted	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017 the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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.

2017 Contributions to OTARMA

\$7,677

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 (via certified mail) 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
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 9 Jointly Governed Organization

The Lima-Allen County Regional Planning Commission, Allen County, (the Commission) was organized in 1964 under Section 713.21 of the Ohio Revised Code. The Commission is governed by a thirty-three member board. The Board consists of representatives from participating political subdivisions, the County Commissioners, and appointed citizens. The Commission serves the County by performing studies and making maps, preparing recommendations and reports relating to the physical, environmental, social, economic and governmental characteristics, functions and services of the County. Financial information can be obtained from Marlene Schumaker, Grant Coordinator, 130 West Main St., Lima, Ohio 45801 or call 419-228-1836, or e-mail mschumaker@lacrpc.com.

MARION TOWNSHIP, ALLEN COUNTY
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$26,923	\$222,087	\$249,010
Charges for Services			\$0
Licenses, Permits and Fees	2,750		\$2,750
Fines and Forfeitures		437	\$437
Intergovernmental	41,803	134,965	\$176,768
Special Assessments		552	\$552
Earnings on Investments	1,248	80	\$1,328
Miscellaneous	<u>1,215</u>		<u>\$1,215</u>
<i>Total Cash Receipts</i>	<u>73,939</u>	<u>358,121</u>	<u>432,060</u>
Cash Disbursements			
Current:			
General Government	58,285	24,986	83,271
Public Safety		127,832	127,832
Public Works	2,161	131,668	133,829
Health	<u>15,791</u>		<u>15,791</u>
<i>Total Cash Disbursements</i>	<u>76,237</u>	<u>284,486</u>	<u>360,723</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,298)</u>	<u>73,635</u>	<u>71,337</u>
Other Financing Receipts			
Other Financing Sources		<u>6,368</u>	<u>6,368</u>
<i>Total Other Financing Receipts</i>		<u>6,368</u>	<u>6,368</u>
<i>Net Change in Fund Cash Balances</i>	(2,298)	80,003	77,705
Fund Cash Balances, December 31	\$150,876	\$231,818	\$382,694
Fund Cash Balances, December 31			
Restricted		227,276	227,276
Committed		84,545	84,545
Assigned	10,149		10,149
Unassigned (Deficit)	<u>138,429</u>		<u>138,429</u>
<i>Fund Cash Balances, December 31</i>	<u>148,578</u>	<u>311,821</u>	<u>460,399</u>

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

MARION TOWNSHIP, ALLEN COUNTY
Statement of Receipts, Disbursements and Change in Fund Balance (Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2016

	Private Purpose Trust
Operating Cash Receipts	
<i>Total Operating Cash Receipts</i>	0
Operating Cash Disbursements	
<i>Total Operating Cash Disbursements</i>	0
<i>Operating Income (Loss)</i>	0
Non-Operating Receipts (Disbursements)	
<i>Total Non-Operating Receipts (Disbursements)</i>	0
<i>Net Change in Fund Cash Balance</i>	0
<i>Fund Cash Balance, January 1</i>	\$44,278
<i>Fund Cash Balance, December 31</i>	\$44,278

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

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 1: REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of Marion Township, Allen County, Ohio (the Township), as a body corporate and politic. A publicly-elected-three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection, police protection and emergency medical services. The Township contracts with the American Township Fire Department and the City of Delphos to provide fire and ambulance services.

The Township participates in a public entity risk pool and a jointly governed organization. Notes 8 and 9 to the financial statements provides additional information for these entities. The Township management believes these financial statements present all activities for which the Township is financially accountable.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. The basis is similar to the cash receipts and disbursements basis of accounting. The Township 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 adequately disclose material matters the Auditor of State prescribes.

B. Cash 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.

The Township funds are deposited in an interest bearing checking account, a savings account and certificate of deposit. All deposits are valued at cost.

C. Fund Accounting

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

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. General Fund

The general fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trust or for capital projects) that are restricted to expenditure for specific purposes. The Township has the following significant Special Revenue Funds:

Road and Bridge Funds – This fund receives property tax money for constructing, maintaining and repairing Township roads.

Fire District Fund – This fund receives property tax money for the fire and EMS protection within the Township.

3. Fiduciary Funds (Private Purpose Trust Fund)

This fund accounts for resources restricted by legally binding trust agreement. The Township had the following significant fund:

Bellis Trust Fund – This fund is used to account for the proceeds from the sale of the Bellis Farm. These monies are to be used for the benefit of the suffering poor of the Township.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except the fiduciary fund) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 4.

E. Capital Assets

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

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

G. Fund Balance

For December 31, 2016 Fund Balance is divided into five classifications based primarily on the extent to which the Township must observe constraints 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 regulation 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.

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 statutes.

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.

NOTE 3 EQUITY IN POOLED CASH

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

	<u>2016</u>
Demand deposits	\$12,519
Certificates of deposit	45,616
ICS savings account	<u>446,542</u>
Total deposits	<u>\$504,677</u>

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

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE: 4 BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$73,939	\$73,939	\$0
Special Revenue	364,490	364,489	(1)
Total	\$438,429	\$438,428	(\$1)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$105,375	\$76,463	\$28,912
Special Revenue	449,533	284,835	164,698
Private Purpose Trust	44,278		44,278
Total	\$599,186	\$361,298	\$237,888

Note 5: Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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 30.

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.

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 6: Retirement System

The Township's two employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates. OPERS members contribute 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 7: Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

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. York Risk Pooling Services, Inc. (formally known as American Risk Pool 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.

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 risk up to an amount specified in the contracts. At December 31, 2016 the OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 and liabilities and retained earnings at December 31, 2016.

	<u>2016</u>
Assets	\$38,473,283
Liabilities	\$(8,244,140)
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016 the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

2016 Contributions to OTARMA
\$7,413

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 (via certified mail) 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 OTARMA. 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
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 9 Jointly Governed Organization

The Lima-Allen County Regional Planning Commission, Allen County, (the Commission) was organized in 1964 under Section 713.21 of the Ohio Revised Code. The Commission is governed by a thirty-three member board. The Board consists of representatives from participating political subdivisions, the County Commissioners, and appointed citizens. The Commission serves the County by performing studies and making maps, preparing recommendations and reports relating to the physical, environmental, social, economic and governmental characteristics, functions and services of the County. Financial information can be obtained from Marlene Schumaker, Grant Coordinator, 130 West Main St., Lima, Ohio 45801 or call 419-228-1836, or e-mail mschumaker@lacrpc.com.



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
Allen County
7100 Defiance Trail
Delphos, Ohio 45833

To the Board of 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 cash balances, receipts, and disbursements by fund type of the Marion Township, Allen County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated October 16, 2018, therein 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 opinions 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 report 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

October 16, 2018

**MARION TOWNSHIP
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Material Weakness – Accuracy of Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following reporting errors were identified:

- In 2017 and 2016, receipts from fees and permits were recorded as miscellaneous receipts in the General Fund, in the amount of \$3,950 and \$2,750, respectively, rather than as licenses, permits and fees.
- In 2017, Issue I Program activity payments made on behalf of the Township in the amount of \$143,632 were classified as miscellaneous receipts and public works disbursements within the Gasoline Tax Fund, instead of being recorded in a Capital Projects Fund as intergovernmental receipts and capital outlay disbursements.
- At December 31, 2017 and 2016, subsequent year appropriations in the General Fund exceeded estimated receipts by \$18,331 and \$9,923, respectively, and were classified as committed fund balance instead of assigned fund balance. Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 16 (GASB Codification 1800.176) – *Fund Balance Reporting and Governmental Fund Type Definitions*, states 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;
- At December 31, 2017 and 2016, encumbrances in the General Fund in the amount of \$123 and \$226, respectively, were classified as committed fund balance instead of assigned fund balance. Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 24 (GASB Codification 1800.184) – *Fund Balance Reporting and Governmental Fund Type Definitions*, states encumbered amounts for specific purposes for which resources already have been restricted, committed, or assigned should not result in separate display of the encumbered amounts within those classifications. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed, or assigned should not be classified as unassigned but, rather, should be included within committed or assigned fund balance, as appropriate.
- At December 31, 2017 and 2016, the remaining fund balance in the General Fund that was not, restricted, committed or assigned to specific purposes in the General Fund, in the amount of \$153,443 and \$138,429, respectively, was classified as committed fund balance instead of unassigned fund balance. Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 17 (GASB Codification 1800.177) – *Fund Balance Reporting and Governmental Fund Type Definitions*, states unassigned fund balance is the residual classification in the general fund and includes amounts that have not been assigned to other funds.

FINDING NUMBER 2017-001
(Continued)

- At December 31, 2017 and 2016, the Road and Bridge Fund balance, in the amount of \$113,391 and \$84,545, respectively, which is derived from in-side millage from property taxes allocated by the Trustees, was classified as restricted fund balance instead of committed fund balance. Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance per GASB Statement No. 54, paragraph 10 (GASB Codification 1800.170);
- At December 31, 2017 and 2016, the fund cash balance in the amount of \$44,278, for the Bellis Trust Fund, which is to be used for the suffering poor of the Township, was classified as an Investment Trust Fund, instead of a Private Purpose Trust Fund. Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, paragraph 71 states, in part, that investment trust funds should be used to report the external portion of investment pools reported by sponsoring government. Paragraph 72, states, in part, that private purpose trust funds should be used to report trust arrangements under which principal and income benefit individuals.

The 2017 and 2016 notes to the financial statements also had errors such as, but not limited to, errors in the budgetary notes.

The accompanying financial statements and notes to the financial statements have been adjusted to correct these recording errors. The Uniform Accounting System (UAN) used by Township prevents the reclassification of the Bellis Trust Fund until after the books are closed for 2018. At that time the Township will move this Fund from an Investment Trust Fund classification to a Private Purpose Trust Fund classification.

The Township records the interest earning on the Bellis Trust Fund in the General Fund. Per the Fiscal Officer, the Township obtained a legal ruling years ago that allows the interest earned on the Bellis Trust Fund to be recorded in the General Fund. This ruling has been followed by the Township however they no longer can locate this legal ruling. The accompanying financial statements were not adjusted since the Township believes they are following the legal ruling. Absent a legal ruling the Township could face legal action for violating the Bellis Will. Also the recording of interest in the wrong fund may result in a material financial statement error.

During 2017 and 2016, the Trustees approved individual checks and bank to book reconciliations but there was no evidence of the review and approval of detailed receipt and disbursement reports or budget versus actual reports. This lack of monitoring may have contributed to the financial reporting errors identified above not being detected.

The errors identified above should be reviewed by the Fiscal Officer to help ensure that similar errors do not occur in subsequent years. Governmental accounting resources should be utilized such as those found on the Auditor of State website at <https://ohioauditor.gov/>. The Trustees should be provided detailed receipt and disbursement reports that will allow for the detection of classification and fund errors. In addition, budget versus actual receipt and disbursement reports should be provided for review. If not practical to print, the reports should be provided electronically for review. Evidence of the review and approval of these reports should be documented on the reports reviewed and/or in the Minutes. In addition, the Township should obtain a new legal ruling on the recording and spending of interest earned on the Bellis Trust Fund.

OFFICIALS’ RESPONSE: We did not receive a response from Officials to this finding.



Dave Yost • Auditor of State

MARION TOWNSHIP

ALLEN 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
NOVEMBER 15, 2018**