



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Marion Township
Clinton County
3116 Westboro Rd.
Blanchester, Ohio 45107

To the Board of Trustees:

We have audited the accompanying financial statements of Marion Township, Clinton County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Marion Township, Clinton County, Ohio as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2000 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of the management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 29, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Local Taxes	\$42,783	\$173,475	\$0	\$0	\$216,258
Intergovernmental	54,815	69,651	0	0	124,466
Earnings on Investments	3,739	976	0	0	4,715
Other Revenue	0	5	0	0	5
Total Cash Receipts	101,337	244,107	0	0	345,444
Cash Disbursements:					
Current:					
General Government	77,564	114,152	0	0	191,716
Public Safety	21,000	0	0	0	21,000
Public Works	0	15,029	0	0	15,029
Health	989	0	0	0	989
Debt Service:					
Redemption of Principal	0	0	24,778	0	24,778
Interest and Fiscal Charges	0	0	11,782	0	11,782
Capital Outlay	0	50,278	0	1,520	51,798
Total Cash Disbursements	99,553	179,459	36,560	1,520	317,092
Total Receipts Over/(Under) Disbursements	1,784	64,648	(36,560)	(1,520)	28,352
Other Financing Receipts/(Disbursements):					
Transfers-In	0	0	37,000	0	37,000
Transfers-Out	(15,500)	(21,500)	0	0	(37,000)
Other Sources	24,988	0	0	0	24,988
Total Other Financing Receipts/(Disbursements)	9,488	(21,500)	37,000	0	24,988
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	11,272	43,148	440	(1,520)	53,340
Fund Cash Balances, January 1	76,809	100,319	0	2,008	179,136
Fund Cash Balances, December 31	\$88,081	\$143,467	\$440	\$488	\$232,476

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Local Taxes	\$35,537	\$144,220	\$0	\$179,757
Intergovernmental	61,332	109,711	168,475	339,518
Earnings on Investments	3,325	1,072	0	4,397
Other Revenue	0	4,929	0	4,929
	<u>100,194</u>	<u>259,932</u>	<u>168,475</u>	<u>528,601</u>
Cash Disbursements:				
Current:				
General Government	77,120	113,470	0	190,590
Public Works	68	128,963	0	129,031
Health	909	0	0	909
Debt Service:				
Redemption of Principal	2,731	22,047	0	24,778
Interest and Fiscal Charges	2,769	10,500	0	13,269
Capital Outlay	0	10,986	180,235	191,221
	<u>83,597</u>	<u>285,966</u>	<u>180,235</u>	<u>549,798</u>
Total Receipts Over/(Under) Disbursements	<u>16,597</u>	<u>(26,034)</u>	<u>(11,760)</u>	<u>(21,197)</u>
Other Financing Receipts/(Disbursements):				
Other Sources	<u>22,495</u>	<u>0</u>	<u>0</u>	<u>22,495</u>
Total Other Financing Receipts/(Disbursements)	<u>22,495</u>	<u>0</u>	<u>0</u>	<u>22,495</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	39,092	(26,034)	(11,760)	1,298
Fund Cash Balances, January 1	<u>37,717</u>	<u>126,353</u>	<u>13,768</u>	<u>177,838</u>
Fund Cash Balances, December 31	<u>\$76,809</u>	<u>\$100,319</u>	<u>\$2,008</u>	<u>\$179,136</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Marion Township, Clinton County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Blanchester Life Squad to provide ambulance services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

The Township Clerk invests all available funds of the Township. The Township funds are deposited in a "Super Now" checking account with a local commercial bank. Interest income is distributed to the Township funds based upon the Ohio Constitution.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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 constructing, maintaining and repairing Township roads.

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Emergency Services Levy Fund - This fund receives the proceeds from the property tax levy for maintaining emergency medical services.

Permissive Motor Vehicle License Tax Fund - This fund receives the proceeds from the Township motor vehicle license tax levied for maintaining and repairing Township roads.

3. Debt Service Funds

The Debt Service Fund is used to accumulate resources for the payment of note indebtedness. The Township's Debt Service Fund was established in 1999 to account for the payments of the Township hall and garage.

4. Capital Project Funds

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Project Fund:

Issue II Fund - Used to record the related receipts and expenditures of benefits received for state grant for road projects.

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, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township had no material encumbrances outstanding at December 31, 1999 and 1998.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

2. EQUITY IN POOLED CASH

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

	<u>1999</u>	<u>1998</u>
Demand deposits	<u>\$232,476</u>	<u>\$179,136</u>
Total deposits	<u><u>\$232,476</u></u>	<u><u>\$179,136</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,527	\$126,325	\$60,798
Special Revenue	200,794	244,107	43,313
Debt Service	37,000	37,000	0
Capital Projects	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u><u>\$303,321</u></u>	<u><u>\$407,432</u></u>	<u><u>\$104,111</u></u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$142,335	\$115,053	\$27,282
Special Revenue	301,113	200,959	100,154
Debt Service	37,000	36,560	440
Capital Projects	<u>2,007</u>	<u>1,520</u>	<u>487</u>
Total	<u><u>\$482,455</u></u>	<u><u>\$354,092</u></u>	<u><u>\$128,363</u></u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,973	\$122,689	\$44,716
Special Revenue	282,213	259,932	(22,281)
Capital Projects	168,475	168,475	0
Total	\$528,661	\$551,096	\$22,435

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$108,779	\$83,597	\$25,182
Special Revenue	395,452	285,966	109,486
Capital Projects	182,243	180,235	2,008
Total	\$686,474	\$549,798	\$136,676

The Township did not obtain prior certification of the fiscal officer for all purchases nor were commitments properly encumbered as required by Ohio Law.

4. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Township Garage Improvement Note	\$173,444	5.95%

The Township Garage Improvement Note was issued in 1997 to fund the construction of a new Township Hall and Garage. The note will be repaid in annual installments of \$24,778, including interest, over 10 years.

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

Year ending December 31:	General Obligation Notes
2000	\$35,098
2001	33,624
2002	32,149
2003	30,675
2004	29,200
Subsequent	78,756
Total	\$239,502

6. RETIREMENT SYSTEMS

The Township's officials and the full-time employee belongs to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

The Township also provides health insurance, dental and vision coverage to the officials and the one full-time employee through a private carrier.

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

Marion Township
Clinton County
514 Tar Pike
Blanchester, OH 45107

To the Board of Trustees:

We have audited the accompanying financial statements of Marion Township, Clinton County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 29, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as items 1999-40414-001.

We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated March 29, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as items 1999-40414-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We noted other matters involving the internal controls over financial reporting that do not require inclusion in this report that we have reported to management of the Township in a separate letter dated March 29, 2000.

This report is intended for the information and use of the management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 29, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

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

FINDING NUMBER 1999-40414-001

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.

This Section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Certain expenditures and obligations made by the Township were initiated without obtaining the prior certification of the Clerk/Treasurer. Every effort should be made by the Township to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending funds.

FINDING NUMBER 1999-40414-002

Reportable Condition

Receipts - Estimated Receipts

During 1998, estimated receipts exceeded actual receipts in the Motor Vehicle License Tax Fund, Gas Tax Fund, and the Permissive Motor Vehicle License Tax Fund. Since appropriations are based on these estimated receipts, this increases the possibility that funds will be overappropriated or overspent.

The Clerk should periodically compare estimated receipts with actual receipts. If actual receipts are significantly less than original estimates, the Clerk should monitor expenditures closely to ensure budgetary compliance. This will add a measure of control to the budgetary process by guarding against overappropriating and/or overspending.



STATE OF OHIO
OFFICE OF THE AUDITOR

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MARION TOWNSHIP

CLINTON 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
APRIL 27, 2000**