

MARSELLES TOWNSHIP
WYANDOT COUNTY, OHIO

FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

WOLF, ROGERS, DICKEY & CO.
Certified Public Accountants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Marseilles Township
20472 State Highway 37
Larue, Ohio 43332

We have reviewed the *Independent Auditors' Report* of Marseilles Township, Wyandot County, prepared by Wolf, Rogers, Dickey & Co., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Marseilles Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 17, 2009

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Marseilles Township
Wyandot County, Ohio

For the Years Ended
December 31, 2008 and 2007

Table of Contents

Independent Auditors' Report	1-2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2008	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2007	4
Notes to the Financial Statements	5-12
Independent Auditors' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters, Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13-14
Schedule of Findings	15-19
Schedule of Prior Audit Findings	20

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Independent Auditors' Report

Marseilles Township
Wyandot County, Ohio

To the Board of Trustees:

We have audited the accompanying financial statements of Marseilles Township, Wyandot County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described more fully in note 1, the Township has prepared these financial statements using accounting practices the Auditor of State of Ohio prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2008 and 2007, or their changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Marseilles Township, Wyandot County, Ohio as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

October 7, 2009

**Marseilles Township
Wyandot County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2008**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:			
Local taxes	\$ 31,406	12,061	43,467
Intergovernmental	12,220	82,926	95,146
Charges for services	1,939	10,000	11,939
License, permits and fees	-	3,300	3,300
Earnings on investments	1,878	1,619	3,497
Other revenue	<u>923</u>	<u>1,415</u>	<u>2,338</u>
Total cash receipts	48,366	111,321	159,687
Cash disbursements:			
Current:			
General government	29,715	-	29,715
Public safety	623	15,110	15,733
Public works	-	74,511	74,511
Health	3,999	3,943	7,942
Capital outlay	1,434	32,636	34,070
Debt service:			
Redemption of principal	-	15,984	15,984
Interest	<u>-</u>	<u>2,325</u>	<u>2,325</u>
Total cash disbursements	<u>35,771</u>	<u>144,509</u>	<u>180,280</u>
Total receipts over (under) disbursements	12,595	(33,188)	(20,593)
Fund cash balances, January 1	<u>47,490</u>	<u>176,189</u>	<u>223,679</u>
Fund cash balances, December 31	\$ <u>60,085</u>	<u>143,001</u>	<u>203,086</u>
Reserve for encumbrances	\$ <u>-</u>	<u>1,218</u>	<u>1,218</u>

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

**Marseilles Township
Wyandot County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2007**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:				
Local taxes	\$ 19,801	7,388	-	27,189
Intergovernmental	20,237	113,572	25,097	158,906
Charges for services	-	23,541	-	23,541
License, permits and fees	-	2,900	-	2,900
Earnings on investments	1,199	1,107	-	2,306
Other revenue	<u>359</u>	<u>7,126</u>	<u>-</u>	<u>7,485</u>
Total cash receipts	41,596	155,634	25,097	222,327
Cash disbursements:				
Current:				
General government	31,815	-	-	31,815
Public safety	-	18,792	-	18,792
Public works	281	51,061	25,097	76,439
Health	1,685	4,416	-	6,101
Capital outlay	<u>5,143</u>	<u>100,598</u>	<u>-</u>	<u>105,741</u>
Total cash disbursements	<u>38,924</u>	<u>174,867</u>	<u>25,097</u>	<u>238,888</u>
Total receipts over (under) disbursements	2,672	(19,233)	-	(16,561)
Other financing receipts:				
Note proceeds	<u>-</u>	<u>50,115</u>	<u>-</u>	<u>50,115</u>
Total receipts and financing over disbursements	2,672	30,882	-	33,554
Fund cash balances, January 1	<u>44,818</u>	<u>145,307</u>	<u>-</u>	<u>190,125</u>
Fund cash balances, December 31	\$ <u>47,490</u>	<u>176,189</u>	<u>-</u>	<u>223,679</u>
Reserve for encumbrances	\$ <u>-</u>	<u>26,618</u>	<u>-</u>	<u>26,618</u>

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

**Marseilles Township
Wyandot County, Ohio
Notes to the Financial Statements
December 31, 2008 and 2007**

(1) Summary of Significant Accounting Policies

Description of the Entity

Marseilles Township, Wyandot 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 road and bridge maintenance, fire protection services and cemetery operations.

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

Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, 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 of Ohio.

Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

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:

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.

**Marseilles Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2008 and 2007**

(1) Summary of Significant Accounting Policies, continued

Fund Accounting, continued

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:

Motor Vehicle License Tax Fund – This fund receives vehicle registration tax money.

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 local real estate, property tax and other revenues collected to construct, maintain and repair township roads.

Fire District Fund – This fund receives fire levy tax money for the funding of fire and EMS services provided to the residents of the Township.

Capital Projects Fund

This fund is used to account for the Ohio Public Works Commission share of specific road improvement projects.

Budgetary Process

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

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.

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.

**Marseilles Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2008 and 2007**

(1) Summary of Significant Accounting Policies, continued

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 re-appropriated.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

Property, Plant and Equipment

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

(2) Equity in Pooled Cash and Investments

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

	<u>2008</u>	<u>2007</u>
Demand deposits	\$ 156,406	223,679
Certificate of deposit	<u>46,680</u>	<u>-</u>
Total deposits and investments	\$ <u>203,086</u>	<u>223,679</u>

Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool. The certificates of deposit bear interest of 4% and mature in January 2009.

(3) Budgetary Activity

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

<u>Fund Type</u>	<u>2008 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 37,640	48,366	10,726
Special Revenue	<u>123,850</u>	<u>111,321</u>	<u>(12,529)</u>
Total	\$ <u>161,490</u>	<u>159,687</u>	<u>(1,803)</u>

Marseilles Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2008 and 2007

(3) Budgetary Activity, continued

2008 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 76,890	35,771	41,119
Special Revenue	<u>298,289</u>	<u>145,727</u>	<u>152,562</u>
Total	\$ <u>375,179</u>	<u>181,498</u>	<u>193,681</u>

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 84,668	41,596	(43,072)
Special Revenue	119,914	205,749	85,835
Capital Projects	<u>-</u>	<u>25,097</u>	<u>25,097</u>
Total	\$ <u>204,582</u>	<u>272,442</u>	<u>67,860</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 129,486	38,924	90,562
Special Revenue	265,192	201,485	63,707
Capital Projects	<u>-</u>	<u>25,097</u>	<u>(25,097)</u>
Total	\$ <u>394,678</u>	<u>265,506</u>	<u>129,172</u>

(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 of Ohio, 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 payments, the first half is due December 31. The second half payment is due the following June 20.

**Marseilles Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2008 and 2007**

(4) Property Tax, continued

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

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

(5) Retirement Systems

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively of their gross salaries. The Township contributed an amount equal to 14% and 13.85%, respectively of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

(6) 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 Workers' Compensation.

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

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the OTARMA Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust APEEP's retained earnings, APEEP provides "excess of funds available" coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

**Marseilles Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2008 and 2007**

(6) Risk Management, continued

Property Coverage

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

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$ 43,210,703	\$ 42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	\$ <u>29,852,866</u>	\$ <u>29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**Marseilles Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2008 and 2007**

(6) Risk Management, continued

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.

Contributions to OTARMA

2006	\$ 10,576
2007	8,259
2008	8,768

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

(7) Debt Obligations

At December 31, 2008 and 2007, debt obligations consisted of the following:

<u>Description</u>	<u>2008</u>	<u>2007</u>
2007 Commercial Savings Bank for purchase of a dump truck, due in annual installments of \$18,309 through 2010 at a rate of 4.75%.	\$ <u>34,161</u>	<u>50,115</u>

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2008 are as follows:

<u>Year ending December 31</u>	<u>Commercial Savings Bank</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 16,704	1,605
2010	<u>17,457</u>	<u>852</u>
	\$ <u>34,161</u>	<u>2,457</u>

Marseilles Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2008 and 2007

(8) Compliance

Contrary to Ohio or federal law:

- The Township did not obtain an amended certificate of estimated resources or amend appropriations in 2008 to reflect a shortfall of anticipated revenue to the Motor Vehicle License Tax Fund of \$403, the Gasoline Tax Fund of \$7,935 and the Fire District Fund of \$7,527, which reduced available revenue in the funds below appropriations by the same amount. In addition, the Township did not obtain an amended certificate of estimated resources or amend appropriations in 2007 to reflect shortfalls of anticipated revenue to the General Fund of \$43,072, the Road and Bridge Fund of \$567 and the Fire District Fund of \$198, which reduced available revenue in the fund below appropriations by the same amount.
- The Township did not encumber funds prior to expenditure for any of the disbursements tested. In addition, funds were not encumbered at the end of either year for expenses that had been incurred but not paid prior to the end of the year.
- The Township did not issue Internal Revenue Service Forms 1099-MISC as required by the Internal Revenue Code.
- Gasoline Tax funds totaling \$603 and \$422 for 2008 and 2007, respectively, were not spent in accordance with restrictions.
- The Township did not record Ohio Public Works Commission (OPWC) activity for a road project that occurred in 2007. In addition, there were no estimated revenues or appropriations in the Capital Projects Fund to cover the expenditures that OPWC made for this project.
- Material reclassifications to the financial statements were necessary in order for them to be fairly stated.
- The Township did not record purchases of equipment through debt issuance in 2007.

Wolf, Rogers, Dickey & Co.

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**Independent Auditors' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters,
Based On An Audit Of Financial Statements
Performed In Accordance With *Government Auditing Standards***

Marseilles Township
Wyandot County, Ohio

To the Board of Trustees:

We have audited the financial statements of Marseilles Township, Wyandot County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated October 7, 2009, wherein we noted the Township followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process or

report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We considered Findings 2008-01, 2008-03 and 2008-08 to be significant deficiencies in internal control over financial reporting as described in the accompanying schedule of findings.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above we consider Finding 2008-01 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, 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 certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as Findings 2008-02 and 2008-04 through 2008-08.

We noted certain noncompliance or other matters not requiring inclusion in this report that we reported to management of the Township in a separate letter dated October 7, 2009.

The Township's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

October 7, 2009

**Marseilles Township
Wyandot County, Ohio
Schedule of Findings
December 31, 2008 and 2007**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2008-01
Significant deficiency/material weakness

The Ohio Township Handbook Chart of Accounts appendix details the revenue and expenditure codes, name of source information, and a brief description of the type of revenue or expenditure that relates to the code.

We noted the following errors in the Township prepared financial statements that required reclassification:

- In the General Fund, 2008 rollback/homestead exemption receipts from the State of Ohio were reclassified from Local Taxes to Intergovernmental Revenue. The amount totaled \$2,614.
- In 2007 and 2008, Motor Vehicle License Tax receipts were reclassified from Local Taxes to Intergovernmental Revenue. The amounts totaled \$7,374 and \$8,637 for 2008 and 2007, respectively.
- In the General Fund, 2007 Capital Outlay expenditures totaling \$5,143 were reclassified from General Government.
- In various Special Revenue Funds for 2007, \$18,581 of Public Safety expenditures, \$50,371 of Public Works expenditures and \$4,205 of Health expenditures were reclassified from General Government.
- In various Special Revenue Funds for 2008, \$14,808 of Public Safety expenditures, \$60,422 of Public Works expenditures, \$3,642 of Health expenditures, \$4,746 of Capital Outlay expenditures, \$15,982 of Debt Service – Principal and \$2,327 of Debt Service – Interest expenditures were reclassified from General Government.
- In 2007 and 2008, receipts received as Charges for Services were reclassified from Other Revenue. The amount totaled \$1,939 and \$3,541 for 2008 and 2007, respectively.

These adjustments are reflected in the audited financial statements. Although the misclassifications have been corrected under audit, annual financial statements available to the public until such time as the audit is completed are inaccurate.

Response by Township

I will make the new classifications effective for 2010.

**Marseilles Township
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2008 and 2007**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2008-02
Noncompliance

Ohio Revised Code (ORC) Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury when such contract or order is made.

ORC Section 5705.41 also provides that if no certificate was furnished at the time that the contract was entered into, the Fiscal Officer may prepare a Then and Now Certificate stating (1) that there was at the time of the making of the contract and (2) at the time of the execution of this certificate a sufficient sum appropriated for the purpose of the contract in question in the treasury or in process of collection to the credit of the appropriate fund, free from previous encumbrances. We noted that funds were not encumbered prior to expenditure for any of the disbursements that we tested for 2007 and 2008. In addition, funds were not encumbered at the end of either year for expenses that had been incurred but not paid prior to the end of the year.

Response by Township

I did purchase orders for every bill which contains the certificate and they were all signed by myself and the Trustees before any checks were signed.

Finding Number 2008-03
Significant deficiency

In 2008, appropriations entered into the Uniform Accounting Network (UAN) for the General Fund exceeded the adopted appropriation measure by \$13,500. Although actual expenditures did not exceed the adopted appropriations in the fund, incorrect information in UAN could have permitted expenditures to exceed the adopted appropriations.

In addition, budgeted receipts entered into UAN did not agree to the final Certificate of Estimated Resources as follows:

2007:

- Road and Bridge Fund – Budgeted receipts in UAN were less than the certificate by \$30.

2008:

- General Fund – Budgeted receipts in UAN were less than the certificate by \$8,240.
- Road and Bridge Fund – Budgeted receipts in UAN were less than the certificate by \$1,650.
- Fire District Fund – Budgeted receipts in UAN were less than the certificate by \$100.

**Marseilles Township
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2008 and 2007**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2008-03, continued

The UAN system has built-in safeguards to assist local governments in complying with budgetary requirements of the ORC; however, these safeguards cannot operate effectively when inaccurate appropriation and budgeted receipt data is input.

Response by Township

You have to estimate your receipts in July for the following year and they will never match exactly as it is an estimate.

Finding Number 2008-04
Noncompliance

ORC Section 5705.36 states:

- (1) That an increased amended certificate must be obtained from the Budget Commission if the legislative authority intends to appropriate and expend revenue in excess of the estimated resources.
- (2) A reduced amended certificate must be obtained if the amount of the deficiency will reduce the available resources below the current level of appropriations.

In 2007, appropriations exceeded available resources by \$43,072 in the General Fund, \$567 in the Road and Bridge Fund and \$198 in the Fire District Fund. In 2008, appropriations exceeded available resources by \$403 in the Motor Vehicle License Tax Fund, \$7,935 in the Gasoline Tax Fund and \$7,527 in the Fire District Fund. These deficits were caused by actual receipts falling below budgeted receipts. We recognize that the Township did not spend all appropriations and actual expenses did not exceed available resources, but ORC Section 5705.36 still requires an amended certificate of estimated resources to reflect the reduced receipts. Additionally, the Township should have reduced the appropriations below the estimated resources.

Response by Township

\$43,072.00 was an estate tax and I did obtain a new amended certificate.

**Marseilles Township
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2008 and 2007**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2008-05
Noncompliance

In both years, the Township charged Trustee salaries and benefits to the Gasoline Tax Fund. The Trustees maintained log books after being informed of the requirement during a previous audit. Although the data in the log books indicated that all Trustees performed road-related work for the Township, it did not support the 100% charged to the Gasoline Tax Fund for 2008.

As a result of the data in the log books, \$3,852 of these expenditures were reclassified back to the General Fund.

Response by Township

I paid the Trustees for eleven months from the Gas Tax Fund and for one month from the General Fund as I was told to do.

Finding Number 2008-06
Noncompliance

ORC 5735.27(A) describes permitted uses of Gasoline Tax revenues as follows: to plan, construct, widen, reconstruct and maintain "public" highways, roads and streets. The funds may also be used for the purchase of road machinery and equipment and for the planning, construction and maintenance of suitable buildings for housing road machinery and equipment. During our testing of the Gasoline Tax Fund, we noted the Township purchased \$4,220 of fuel in 2007, charging \$904 to the Road and Bridge Fund and the remaining amount to the Gasoline Tax Fund. In 2008, the Township purchased \$6,032 of fuel and charged the entire amount to the Gasoline Tax Fund. Although the fuel was purchased using funds restricted for roads, the fuel was used in the cemetery equipment and fire trucks as well as the road equipment.

The Township did not maintain logs of gallons of fuel put into the various pieces of equipment. Therefore, based on estimates of usage provided by the Township, reclassification of a portion of fuel expenditures has been made in each year from the Gasoline Tax Fund to the Fire District and Cemetery Funds. Reclassification totaled \$603 and \$422 for 2008 and 2007, respectively.

Response by Township

A fund adjustment was made. Starting now I will use the Fire Fund and the cemetery Fund for their use of fuel and employees will keep a gas log.

**Marseilles Township
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2008 and 2007**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2008-07
Noncompliance

The Internal Revenue Code requires an entity to issue Internal Revenue Service Form 1099-MISC when payments for services performed for the entity by individuals not treated as employees total \$600 or more. In 2008, the Township wrote checks payable to an individual and an unincorporated business of \$1,299 and \$1,175, respectively, and did not issue a Form 1099-MISC.

Response by Township

The checks were to Levi Yoder Construction and Bill Sowers Tree Service both of which are businesses and they stated no 1099's were needed.

Finding Number 2008-08
Significant deficiency/Noncompliance

The Township participated in an Ohio Public Works Commission (OPWC) Project in 2007. As part of such a project, the OPWC makes payments directly to the contractors for its share of the project costs. The Township is to record memorandum receipts and disbursements on its books for expenditures made on behalf of the Township. The Township did not record the OPWC activity in its financial statements for this project. Also, the Township did not record the purchase of equipment through debt issuance in 2007. The Township is to record memorandum receipts and disbursements on its books for such purposes.

Although there is no effect on the cash balance of the Township, not recording all of this activity causes revenues and expenses to be understated as it relates to the activities of the Township. An adjustment of \$75,212 has been made to the financial statements to reflect the full cost of the project.

In addition, appropriations in the Capital Projects Fund were not approved to cover the expenditures made by OPWC on behalf of the Township for the project. In violation of ORC Section 5705.41(B), expenditures exceeded appropriations by \$25,097 in the Capital Projects Fund for 2008.

Response by Township

I can't appropriate it if I don't know how much it's going to be. Wyandot County receives a lump sum for all the Townships and we match half. When I called the Engineer's office they said they would take care of it on their end. If you can tell me how to put it in, I will. I don't know how to put in money we never actually received. And then would we need two amended certificates?

**Marseilles Township
Wyandot County, Ohio
Schedule of Prior Audit Findings
December 31, 2008 and 2007**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding <u>No Longer Valid: Explain:</u>
2006-001	Issue II Funding, receipts, and disbursements	No	Reported as Finding Number 2008-08



Mary Taylor, CPA
Auditor of State

MARSEILLES TOWNSHIP

WYANDOT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 1, 2009**