



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MARION TOWNSHIP
MARION COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	15

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Marion Township
Marion County
129 South Main Street
Marion, Ohio 43302

To the Board of Trustees:

We have audited the accompanying financial statements of Marion Township, Marion County, Ohio, (the Township) as of and for the years ended December 31, 2001, and December 31, 2000. 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 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. 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 the Township as of December 31, 2001, and December 31, 2000, 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 July 12, 2002, 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. 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.

This report is intended solely for the information and use of management, the Board of Trustees 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

July 12, 2002

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**MARION TOWNSHIP
MARION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$123,368	\$1,555,215	\$1,678,583
Licenses, Permits, and Fees	12,446	0	12,446
Earnings on Investments	21,559	314	21,873
Other Receipts	254,717	12,833	267,549
	<u>806,724</u>	<u>1,738,704</u>	<u>2,545,428</u>
Cash Disbursements:			
Current:			
General Government	557,172	0	557,172
Public Safety	35	1,933,896	1,933,931
Public Works	51,360	61,289	112,649
Health	81,611	0	81,611
Debt Service:			
Redemption of Principal	2,867	0	2,867
Capital Outlay	975	132,084	133,059
	<u>694,020</u>	<u>2,127,269</u>	<u>2,821,289</u>
Total Cash Receipts Over/(Under) Cash Disbursements	112,704	(388,564)	(275,861)
Fund Cash Balances, January 1	914,373	598,512	1,512,885
Fund Cash Balances, December 31	<u>\$1,027,077</u>	<u>\$209,948</u>	<u>\$1,237,025</u>

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

**MARION TOWNSHIP
MARION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$126,488	\$1,634,772	\$1,761,260
Intergovernmental	407,321	179,491	586,812
Special Assessments	0	14	14
Licenses, Permits, and Fees	11,655	0	11,655
Earnings on Investments	26,503	470	26,973
Other Receipts	166,819	21,136	187,954
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	738,785	1,835,882	2,574,667
Cash Disbursements:			
Current:			
General Government	405,906	0	405,906
Public Safety	21	1,756,069	1,756,090
Public Works	58,555	68,575	127,131
Health	82,230	0	82,230
Debt Service:			
Redemption of Principal	2,867	0	2,867
Capital Outlay	0	49,924	49,924
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	549,579	1,874,568	2,424,147
Total Cash Receipts Over/(Under) Cash Disbursements	189,206	(38,686)	150,520
Fund Cash Balances, January 1	725,167	637,198	1,362,366
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$914,373</u>	<u>\$598,512</u>	<u>\$1,512,885</u>

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

**MARION TOWNSHIP
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Marion Township, Marion County, (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 government services, including road and bridge maintenance, cemetery maintenance, and fire protection and emergency medical 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 Investments

Investments are included in fund cash balances. 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.

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 Fund:

Fire District Fund - This fund receives property tax and intergovernmental money for the equipping, maintaining, and general operations of the Township fire department.

**MARION TOWNSHIP
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 did not encumber all commitments required by Ohio law.

A summary of 2001 and 2000 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH

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

	<u>2001</u>	<u>2000</u>
Deposits	\$1,056,995	\$1,332,855
Certificates of deposit	175,000	175,000
Total deposits	<u>\$1,231,995</u>	<u>\$1,507,855</u>

**MARION TOWNSHIP
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

The deposits listed above are less than the fund cash balances reported in the accompanying financial statements by \$5,030. Management is unable to identify the cause of the variance.

Deposits: Deposits are either 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 ended December 31, 2001, and December 31, 2000, follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$639,152	\$806,724	\$167,572
Special Revenue	1,756,944	1,738,704	(18,240)
Total	\$2,396,096	\$2,545,428	\$149,332

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,553,525	\$694,020	\$859,505
Special Revenue	2,355,456	2,127,269	228,187
Total	\$3,908,981	\$2,821,289	\$1,087,692

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$483,256	\$738,785	\$255,529
Special Revenue	1,738,778	1,835,882	97,104
Total	\$2,222,034	\$2,574,667	\$352,633

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,196,090	\$549,579	\$646,511
Special Revenue	2,366,335	1,874,568	491,767
Total	\$3,562,425	\$2,424,147	\$1,138,278

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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.

**MARION TOWNSHIP
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX (Continued)

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.

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.

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$47,301	0%

The Ohio Public Works Commission Loan was issued to finance a storm sewer drainage project for a housing development within the Township.

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

	Ohio Public Works Commission Loan
Year ending December 31:	
2002	\$2,867
2003	2,867
2004	2,867
2005	2,867
2006	2,867
2007 - 2011	14,333
2012 - 2016	14,333
2017 - 2018	4,300
Total	\$47,301

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**MARION TOWNSHIP
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

The Township also provides health insurance coverage to full-time employees through a private carrier.

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35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

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

Marion Township
Marion County
129 South Main Street
Marion, Ohio 43302

To the Board of Trustees:

We have audited the accompanying financial statements of Marion Township, Marion County, Ohio, (the Township) as of and for the years ended December 31, 2001, and December 31, 2000, and have issued our report thereon dated July 12, 2002. 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.

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 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-40651-001 and 2001-40651-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 12, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township'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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. Reportable conditions are described in the accompanying schedule of findings as items 2001-40651-001 and 2001-40651-003.

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, of the reportable conditions described above, we consider item 2001-40651-001 to be a material weakness. We also noted other matters involving the internal control 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 July 12, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

JIM PETRO
Auditor of State

July 12, 2002

**MARION TOWNSHIP
MARION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-40651-001

Finding for Recovery

The Township Clerk began experiencing problems reconciling early in 1998. At December 31, 1999, the Township was unreconciled by \$3,965. This was not corrected by the Clerk. Monthly reconciliations were not performed and at December 31, 2001, the unreconciled amount increased to \$5,030. The source of this \$5,030 unreconciled balance could not be identified or explained by the Clerk. The unreconciled balance indicates that public money has been received but not adequately accounted for by the Clerk.

Ohio Rev Code Section 9.39 states all "public officials are liable for all public money received or collected by them under the color of office."

In accordance with the forgoing facts, and pursuant to Ohio Rev Code Section 117.28, a Finding for Recovery is hereby issued against Frank Reber, Township Clerk, and The Ohio Casualty Insurance Company, his bonding company, jointly and severally, in the amount of five thousand thirty dollars (\$5,030), for public money collected but unaccounted for, and in favor of Marion Township.

As indicated above, when cash reconciliations are not properly performed, monthly fund balances may be understated or overstated and management can not be assured that statements reflect the proper financial activities of the Township. Also, lack of legislative monitoring may lead to errors or misappropriation of Township assets.

Monthly cash reconciliations should be performed by the Township Clerk to determine if all receipts and disbursements have been properly posted. Reconciling items should be identified at the time of the reconciliation. Once completed, the reconciliation should be reviewed by the Board of Trustees for completeness and accuracy. The review should also include determining that deposits and investments are allowable per the Ohio Revised Code.

FINDING NUMBER 2001-40651-002

Certification by Clerk

Ohio Rev. Code Section 5705.41(D) states no orders or contracts involving the expenditure of money is to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirement:

- a. Then and Now Certificate - 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 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, if such expenditure is otherwise valid.

**MARION TOWNSHIP
MARION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2001-40651-002 (Continued)

Certification by Clerk (Continued)

- b. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of the Board, if such expenditure is otherwise valid.

Eighty-eight percent of the transactions tested were not certified by the Township Clerk at the time the commitment was incurred and neither of the exceptions provided for were used.

To improve controls over disbursements, we recommend that all disbursements receive certification from the Township Clerk that the funds are or will be available.

FINDING NUMBER 2001-40651-003

Reportable Condition

Monitoring Budget and Actual Receipts

During 2000 and 2001, the Board of Trustees did not perform monitoring procedures over the Township's receipts.

Monitoring controls comprise regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Monitoring controls generally are concerned with users' analysis of reports or other forms of data produced by the accounting system. Such data may indirectly provide assurance as to the reliability of financial reporting information if it conforms to the users' expectations.

We recommend the Clerk present the Board of Trustees monthly reports that contain budgeted and actual receipts for each type of receipt activity, by fund. The Board of Trustees should review these reports by comparing budgeted receipts to actual receipts. Any unexpected variances should be investigated.

**MARION TOWNSHIP
MARION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-40651-001	Ohio Revised Code Section 5705.41(D), failure to certify funds.	No	Not Corrected. This citation is being reissued as finding number 2001-40651-002.
1999-40651-002	Failure to prepare and monitor cash reconciliations.	No	Not Corrected. This recommendation is being reissued as finding number 2001-40651-001.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

MARION TOWNSHIP

MARION 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
SEPTEMBER 12, 2002**