



Dave Yost • Auditor of State



MARION TOWNSHIP  
NOBLE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Marion Township  
Noble County  
26655 State Route 78  
Summerfield, Ohio 43788

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Marion Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012.

### ***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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Basis for Adverse Opinion on Regulatory Basis of Accounting***

During the prior audit covering January 1, 2008 to December 31, 2009, the Township improperly paid salaries during 2009 for Trustees from the Gasoline Tax Fund, in the amount of \$1,327, that should have been paid from the General Fund. The Township declined to make this adjustment during the prior audit periods and the Township has declined to make this adjustment this audit period.

During the prior audit covering January 1, 2010 to December 31, 2011, the Township did not allocate the Trustees' salaries and corresponding benefits to the General Fund for time spent performing administrative duties, such as attendance at monthly board meetings. The amount that should have been paid out of the General Fund for 2011 and 2010 for Trustees' salaries and corresponding benefits was \$1,812 and \$1,759, respectively. The Township declined to make these adjustments during the prior audit periods and the Township has declined to make these adjustments this audit period.

During the audit covering January 1, 2012 to December 31, 2013, the Trustees' were paid 100% from the Gasoline Tax Fund which was not in agreement with the payroll certifications. The amount that should have been paid out of the General Fund for 2012 and 2013 in accordance with the payroll certifications was \$660 for both years for a total of \$1,320. The Township declined to make this adjustment during this audit period.

***Adverse Opinion on Regulatory Basis of Accounting***

In our opinion, because of the significance of the matters discussed in the preceding three paragraphs, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Marion Township, Noble County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 8, the Township is experiencing financial difficulties. Management has declined to post the aforementioned adjustments discussed in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* paragraphs, due to the General Fund's cash balance not being sufficient to support these adjustments. Management's plan in regards to these financial difficulties is described in Note 8 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014, 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

December 10, 2014

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**MARION TOWNSHIP  
NOBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$16,861	\$38,367		\$55,228
Intergovernmental	6,817	99,734		106,551
Earnings on Investments	18	26		44
Miscellaneous	473			473
<i>Total Cash Receipts</i>	<u>24,169</u>	<u>138,127</u>	<u>\$0</u>	<u>162,296</u>
<b>Cash Disbursements</b>				
Current:				
General Government	22,422			22,422
Public Safety		16,483		16,483
Public Works		88,462		88,462
Debt Service:				
Principal Retirement		5,324		5,324
Interest and Fiscal Charges		224		224
<i>Total Cash Disbursements</i>	<u>22,422</u>	<u>110,493</u>	<u>0</u>	<u>132,915</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,747</u>	<u>27,634</u>	<u>0</u>	<u>29,381</u>
<i>Net Change in Fund Cash Balances</i>	1,747	27,634	0	29,381
<i>Fund Cash Balances, January 1</i>	<u>3,692</u>	<u>39,858</u>	<u>5,461</u>	<u>49,011</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable			4,520	4,520
Restricted		53,780	941	54,721
Committed		13,712		13,712
Unassigned (Deficit)	5,439			5,439
<i>Fund Cash Balances, December 31</i>	<u><u>\$5,439</u></u>	<u><u>\$67,492</u></u>	<u><u>\$5,461</u></u>	<u><u>\$78,392</u></u>

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

**MARION TOWNSHIP  
NOBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$16,758	\$37,684		\$54,442
Intergovernmental	6,961	119,326		126,287
Earnings on Investments	19	53		72
Miscellaneous	318			318
<i>Total Cash Receipts</i>	<u>24,056</u>	<u>157,063</u>	<u>\$0</u>	<u>181,119</u>
<b>Cash Disbursements</b>				
Current:				
General Government	26,144			26,144
Public Safety		15,996		15,996
Public Works		115,003		115,003
Capital Outlay		22,463		22,463
Debt Service:				
Principal Retirement		9,394		9,394
Interest and Fiscal Charges		669		669
<i>Total Cash Disbursements</i>	<u>26,144</u>	<u>163,525</u>	<u>0</u>	<u>189,669</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,088)</u>	<u>(6,462)</u>	<u>0</u>	<u>(8,550)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(2,088)</u>	<u>(6,462)</u>	<u>0</u>	<u>(8,550)</u>
<i>Fund Cash Balances, January 1</i>	<u>5,780</u>	<u>46,320</u>	<u>5,461</u>	<u>57,561</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable			4,520	4,520
Restricted		27,994	941	28,935
Committed		11,864		11,864
Unassigned	3,692			3,692
<i>Fund Cash Balances, December 31</i>	<u>\$3,692</u>	<u>\$39,858</u>	<u>\$5,461</u>	<u>\$49,011</u>

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

**MARION TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Marion Township, Noble County (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, cemetery maintenance, and fire protection. The Township contracts with the Summerfield Volunteer Fire Department to provide fire services.

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

The Township participates in the Ohio Plan Risk Management Authority public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits**

The Township has an interest-bearing checking account and savings accounts.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Fund:

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

**MARION TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**3. Permanent Funds**

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Township's programs (for the benefit of the Township or its citizenry). The Township had the following significant Permanent Fund:

Private Purpose Trust Cemetery Fund - This fund receives interest earned on the nonexpendable corpus from trust agreements. These earnings are used for the general maintenance and upkeep of the Township's cemeteries.

**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. 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 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 2013 and 2012 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Nonspendable**

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

**MARION TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance (Continued)**

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**G. Property, Plant, and Equipment**

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

**2. Equity in Pooled Deposits**

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

**MARION TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. Equity in Pooled Deposits (Continued)**

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

	2013	2012
Demand deposits	\$73,872	\$44,491
Other time deposits (savings and NOW accounts)	4,520	4,520
Total deposits	\$78,392	\$49,011

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$21,722	\$24,169	\$2,447
Special Revenue	133,840	138,127	4,287
Total	\$155,562	\$162,296	\$6,734

2013 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$0	\$22,422	(\$22,422)
Special Revenue	0	110,493	(110,493)
Total	\$0	\$132,915	(\$132,915)

2012 Budgeted vs. Actual Receipts

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$23,061	\$24,056	\$995
Special Revenue	125,750	157,063	31,313
Total	\$148,811	\$181,119	\$32,308

2012 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$0	\$26,144	(\$26,144)
Special Revenue	0	163,525	(163,525)
Total	\$0	\$189,669	(\$189,669)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds for the years ended December 31, 2013 and 2012, as a result of the Board of Trustees not adopting a permanent appropriation resolution for 2013 and 2012, nor sending a permanent appropriation measure to the County Budget Commission.

**MARION TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**4. Property Tax**

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

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, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Commercial Security Agreement (Truck)	\$1,371	4.75%

The Township issued in 2010 a commercial security agreement to finance the purchase of a 2003 Chevrolet dump truck for Township road maintenance. The Township's taxing authority collateralized the agreement.

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

	<u>Commercial Security Agreement</u>
<u>Year ending December 31:</u> 2014	<u>\$1,387</u>

**6. Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

**7. Risk Management**

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to § 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**MARION TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. Risk Management (Continued)**

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013, respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2013.

	<b>2012</b>	<b>2013</b>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	\$6,413,188	\$5,805,909

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**8. Financial Difficulties**

At December 31, 2013, the following funds had adjustments which the Township declined to make in the following amounts (this table includes adjustments from 2013, 2012 2011, 2010 and 2009 that the management of the Township declined to make in 2013 or 2012):

	12/31/13 Balance	Adjustments Not Made	Effect on 12/31/13 Balance
General	\$5,439	(\$6,218)	(\$779)
Special Revenue	67,492	6,218	73,710

The Township continues to monitor all expenditures of the General Fund.





# 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  
Noble County  
26655 State Route 78  
Summerfield, Ohio 43788

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 Marion Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated December 10, 2014, wherein we noted the Township followed financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also issued an adverse opinion on the 2013 and 2012 financial statements due to the Township declining to make adjustments for mispostings.

### ***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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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. We consider findings 2013-001 thru 2013-005 described in the accompanying Schedule of Findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2013-001 through 2013-004.

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

December 10, 2014

**MARION TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

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

**FINDING NUMBER 2013-001**

**Finding for Adjustment/Noncompliance Citation/Material Weakness**

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated.

Subsequent to House Bill 153, passed in 2011, Ohio Rev. Code §§ 505.24 and 507.09 require township trustees and fiscal officers, respectively, to certify the amount of work performed on restricted funds. Prior to House Bill 153 compensation of a township trustee was to be paid from the Township General Fund or from such other township funds, in such proportions based on the amount of time spent on matters related to the services rendered.

During the prior audit period January 1, 2008 to December 31, 2009, the Township's financial records reflected the Trustees' salaries paid entirely from the Gasoline Tax Fund. As part of their administrative duties, the Trustees attended board meetings throughout the year. The Trustees' timesheets however, did not reflect all board meetings attended during the year as a part of their administrative duties. Trustee compensation for administrative duties such as attendance at board meetings, should be paid out of the General Fund. The amount that should have been paid out of the General Fund for these administrative duties was \$1,327 for 2009. A citation was included in the 2008-2009 audit of the Township. The Township failed to post adjustments based on this citation.

During the prior audit period January 1, 2010 to December 31, 2011, the Board of Trustees established administrative procedures and prepared documentation for how they spent their time and the type of services performed, however, the amounts allocated to these funds did not agree to this documentation. The Fiscal Officer did not allocate the Board of Trustees' salaries and corresponding benefits to the General Fund for time spent performing administrative duties, such as attendance at monthly board meetings, in the amount of \$1,759 for 2010 and \$1,812 for 2011. The Trustees were paid entirely from the Gasoline Tax Fund in 2011 and 2010. A citation was included in the 2010-2011 audit of the Township. The Township failed to post adjustments based on this citation.

During 2012 and 2013, the Trustees' certifications did not agree to the allocations of salaries charged among the funds. As a result the Gasoline Tax Fund was overcharged by \$660 and the General Fund was undercharged by \$660 for both 2012 and 2013 for a total of \$1,320 overcharged to the Gasoline Tax Fund and \$1,320 undercharged to the General Fund.

Because the Township has failed to post adjustments to the Township records based on the citations in the previous audits, the amounts cited in the previous finding for adjustments have accumulated. In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.38, we hereby issue a finding for adjustment in the amount of \$6,218 against the General Fund and in favor of the Gasoline Tax Fund in the amount of \$6,218. The Fiscal Officer has not posted these adjustments to the Township records and therefore, these adjustments are not reflected in the accompanying financial statements.

**MARION TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-002**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code § 5705.38(A) states that on or about the first day of the fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of an annual appropriation measure until an amended certificate is received from the County Budget Commission based on the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been properly appropriated.

For 2013 and 2012, temporary appropriations measures were approved in the minutes on January 13, 2013, and January 8, 2012, respectively; however, no detail was listed in the minutes and signed copies were not presented for audit. Further, permanent appropriation resolutions were not approved in the minutes for 2013 and 2012 nor were they filed with the County Auditor.

During 2013 and 2012, the Township wrote checks totaling \$189,669 and \$132,915, respectively, without the benefit of a permanent appropriation resolution being approved; therefore, expenditures exceeded appropriations for 2013 and 2012 for all funds.

We recommend the Fiscal Officer ensure its annual appropriation resolution is passed in a timely manner. The annual appropriation resolution should be signed by the Board of Trustees and maintained by the Fiscal Officer or attached to the minutes and filed with the County Auditor. If the Board of Trustees passes a temporary appropriation measure, the measure should provide detail such as fund, function and object and amount and signed copies should be maintained by the Fiscal Officer and presented for audit. Also, the Fiscal Officer should deny requests for payments when appropriations are not available.

**FINDING NUMBER 2013-003**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**MARION TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-003 (Continued)**

**Noncompliance Citation/Material Weakness- Ohio Rev. Code § 5705.41(D)(1) (Continued)**

1. "Then and Now" Certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate - The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer did not certify the availability of funds prior to purchase commitment for 88% of the expenditures tested in 2013 and for 93% of the expenditures tested in 2012, and there was no evidence the Township followed the aforementioned exceptions.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Fiscal Officer certify purchases to which § 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**MARION TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-004**

**Noncompliance Citation/Material Weakness**

Ohio Admin. Code § 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code § 117-2-03.

During 2013, the Fiscal Officer posted certain transactions incorrectly as follows:

- Permissive motor vehicle license tax monies were posted as taxes instead of intergovernmental in the amount of \$806;
- Homestead and rollback was posted to taxes instead of intergovernmental in General Fund, Road and Bridge Fund and Fire Levy Fund in the amounts of \$1,062, \$1,150 and \$762, respectively;
- Principal debt payments were posted to public works instead of principal retirement in the Gasoline Tax Fund and the Road and Bridge Fund in the amounts of \$2,646 and \$2,678, respectively; and
- Interest debt payments were posted to public works instead of interest and fiscal charges in the Gasoline Tax Fund and the Road and Bridge Fund in the amounts of \$128 and \$96, respectively.

During 2012, the Fiscal Officer posted certain transactions incorrectly as follows:

- February real estate tax settlement was posted as intergovernmental instead of taxes in the amount of \$12,199 in the Road and Bridge Fund;
- Permissive motor vehicle license tax monies were posted as taxes instead of intergovernmental in the amount of \$759;
- Homestead and rollback was posted to taxes instead of intergovernmental in the General Fund, Road and Bridge Fund and Fire Levy Fund in the amounts of \$489, \$665 and \$385, respectively;
- Principal debt payments were posted to public works instead of principal retirement in the Gasoline Tax Fund and the Road and Bridge Fund in the amounts of \$3,961 and \$5,433, respectively;
- Interest debt payments were posted to public works instead of interest and fiscal charges in the Gasoline Tax Fund and the Road and Bridge fund in the amounts of \$336 and \$333, respectively.

These reclassification errors were due to a lack of management oversight. The significant reclassifications, with which management agrees, were posted to the financial statements of the Township.

We recommend the Fiscal Officer refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts and expenditures.

**MARION TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**FINDING NUMBER 2013-005**

**Material Weakness**

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system, This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2013, appropriations in the Township's ledgers did not agree to the amounts approved by the Board of Trustees for the following funds:

Fund	Appropriations per Board of Trustees	Appropriations per Township's Accounting System	Variance
General	\$0	\$25,413	(\$25,413)
Motor Vehicle License Tax	0	20,010	(20,010)
Gasoline Tax	0	96,348	(96,348)
Road and Bridge	0	34,914	(34,914)
Fire District	0	16,483	(16,483)
Permissive Motor Vehicle License Tax	0	5,942	(5,942)

At December 31, 2012, appropriations in the Township's ledgers did not agree to the amounts approved by the Board of Trustees for the following funds:

Fund	Appropriations per Board of Trustees	Appropriations per Township's Accounting System	Variance
General	\$0	\$28,841	(\$28,841)
Motor Vehicle License Tax	0	20,519	(20,519)
Gasoline Tax	0	97,285	(97,285)
Road and Bridge	0	33,082	(33,082)
Fire District	0	16,005	(16,005)
Permissive Motor Vehicle License Tax	0	5,179	(5,179)
FEMA	0	22,463	(22,463)
Permanent	0	1	(1)

At December 31, 2012, estimated revenue in the Township's ledgers for the Miscellaneous Special Revenue Fund had \$22,463 less posted than the amount approved by the County Budget Commission.

This occurred because the Township did not have permanent appropriation resolutions for 2012 and 2013. Without information properly entered into the system, the management of the Township lost some degree of budgetary control. This also resulted in audit adjustments to the budgetary note disclosure.

**MARION TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2013-005 (Continued)**

**Material Weakness (Continued)**

We recommend the Fiscal Officer accurately post appropriations and estimated revenue as approved by the Board of Trustees and the County Budget Commission, respectively. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

**Officials' Response:** Management declined to comment on the aforementioned findings.



**MARION TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2011-001	Ohio Rev. Code § 505.24(C) – The Trustees were paid entirely from the Gasoline Tax Fund instead of being paid from the General Fund for administrative duties performed. A finding for adjustment was issued in the previous two audits in the amounts of \$1,327 for 2009, \$1,759 for 2010, and \$1,812 for 2011.	No	Not Corrected; Repeated as Finding 2013-001.
2011-002	Ohio Rev. Code § 5705.38(A) – The Township did not adopt a temporary appropriation resolution for 2010 and adopted a temporary appropriation resolution (with no detail in the minutes) on January 9, 2011, for 2011. The permanent appropriation resolutions were approved on March 13, 2011 and March 14, 2010. The Township wrote checks on January 10, 2010 and February 14, 2011 without the benefit of a permanent appropriation resolution; therefore, expenditures exceeded appropriations on those dates until the permanent appropriation resolutions were adopted.	No	Not Corrected; Repeated as Finding 2013-002.
2011-003	Ohio Rev. Code § 5705.41(B) – The Township had expenditures in excess of appropriations in the General Fund in 2011 and 2012.	No	Not Corrected; Repeated as Finding 2013-002.
2011-004	Ohio Rev. Code § 5705.41(D) – The Township did not properly certify the availability of funds prior to purchase commitment for 100% of the expenditures tested in 2011 and 2010.	No	Not Corrected; Repeated as Finding 2013-003.
2011-005	Estimated Receipts as approved by the Budget Commission did not agree to the amounts posted to the UAN system at December 31, 2011, for the General Fund. Appropriations as approved by the Board of Trustees did not agree to the amounts posted to the UAN system at December 31, 2011, for the General Fund and several line items within the General Fund and at December 31, 2010, in several line items within the General Fund.	No	Not Corrected; Repeated as Finding 2013-005.

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# Dave Yost • Auditor of State

**MARION TOWNSHIP**

**NOBLE 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 31, 2014**