

**MARION TOWNSHIP
NOBLE COUNTY**

AUDIT REPORT

JANUARY 1, 2014 - DECEMBER 31, 2015



Dave Yost • Auditor of State

Board of Trustees
Marion Township
26655 State Route 78
Summerfield, OH 43788

We have reviewed the *Independent Auditors' Report* of Marion Township, Noble County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2014 through December 31, 2015. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Adjustment:

Ohio Rev. Code §505.24(D) 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 required township trustees to certify the amount of work performed on restricted funds. Prior to House Bill 153, the compensation of a township trustee was to be paid from the township general fund or from such other township funds, in such proportions based upon the amount of time spent on matters related to the services rendered.

Although previous audits indicated that trustee compensation should be allocated and certified in accordance with the Ohio Revised Code, the Township has failed to maintain such documentation of Trustee time.

During 2014, the Township paid \$660 from the Gasoline Tax Fund for Trustees' salaries and fringe benefits. During 2015, the Township paid \$764 from the Gasoline Tax Fund for Trustees' salaries and fringe benefits. The cumulative amount that should have been paid out of the General Fund was \$1,424. The Township declined to make this adjustment.

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 \$1,424 against the General Fund and in favor of the Gasoline Tax Fund in the amount of \$1,424. The Fiscal Officer has not posted these adjustments to the Township's records, and therefore, these adjustments are not reflected in the accompanying financial statements.

Board of Trustees
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26655 State Route 78
Summerfield, OH 43788
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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. Marion Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

September 6, 2016

**MARION TOWNSHIP
NOBLE COUNTY
JANUARY 1, 2014 - DECEMBER 31, 2015**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

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

To the Township Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Marion Township, Noble County, as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonable determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Marion Township, Noble County as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

During the audit period covering January 1, 2008 to December 31, 2009, the Township improperly paid salaries during 2009 for the 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 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 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 these adjustments in the prior audit periods and the Township has declined to make these adjustments during this audit period.

During the audit covering January 1, 2014 to December 31, 2015, the Trustees were paid 100% from the Gasoline Tax Fund which was not in agreement with payroll certifications. The amount that should have been paid out of the General Fund for 2015 and 2014 in accordance with the payroll certifications was \$764 for both years for a total of \$1,528. The Township declined to make this adjustments during this audit period.

Adverse Opinion on Regulatory Basis of Accounting

In our opinion, based on the effects of the matters described in the Basis for Adverse Opinion on Regulatory Basis paragraph, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Marion Township, Noble County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 23, 2016, on our consideration of Marion 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.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 23, 2016

**MARION TOWNSHIP
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 20,349	\$ 45,331	\$ -	\$ 65,680
Intergovernmental	14,927	88,104	-	103,031
Earnings on Investments	13	17	-	30
Miscellaneous	16,776	-	-	16,776
Total Cash Receipts	<u>52,065</u>	<u>133,452</u>	-	<u>185,517</u>
Cash Disbursements:				
Current:				
General Government	22,356	-	-	22,356
Public Safety	-	10,108	-	10,108
Public Works	-	134,358	-	134,358
Capital Outlay	-	17,350	-	17,350
Total Cash Disbursements	<u>22,356</u>	<u>161,816</u>	-	<u>184,172</u>
Net Change in Fund cash Balance	29,709	(28,364)	-	1,345
Fund Cash Balances, January 1	<u>9,515</u>	<u>89,747</u>	<u>5,461</u>	<u>104,723</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	4,520	4,520
Committed	-	15,042	-	15,042
Restricted	-	46,341	941	47,282
Unassigned (Deficit)	39,224	-	-	39,224
Fund Cash Balances, December 31	<u>\$ 39,224</u>	<u>\$ 61,383</u>	<u>\$ 5,461</u>	<u>\$ 106,068</u>

See notes to financial statements.

**MARION TOWNSHIP
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 16,999	\$ 39,605	\$ -	\$ 56,604
Intergovernmental	10,022	97,893	-	107,915
Earnings on Investments	16	14	-	30
Miscellaneous	5,633	16,587	-	22,220
Total Cash Receipts	<u>32,670</u>	<u>154,099</u>	-	<u>186,769</u>
Cash Disbursements:				
Current:				
General Government	28,594	-	-	28,594
Public Safety	-	16,592	-	16,592
Public Works	-	113,832	-	113,832
Debt Service				
Principal Retirement	-	1,371	-	1,371
Interest and Fiscal Charges	-	49	-	49
Total Cash Disbursements	<u>28,594</u>	<u>131,844</u>	-	<u>160,438</u>
Net Change in Fund cash Balance	4,076	22,255	-	26,331
Fund Cash Balances, January 1	<u>5,439</u>	<u>67,492</u>	<u>5,461</u>	<u>78,392</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	4,520	4,520
Committed	-	13,426	-	13,426
Restricted	-	76,321	941	77,262
Unassigned (Deficit)	9,515	-	-	9,515
Fund Cash Balances, December 31	<u>\$ 9,515</u>	<u>\$ 89,747</u>	<u>\$ 5,461</u>	<u>\$ 104,723</u>

See notes to financial statements.

**MARION TOWNSHIP
NOBLE COUNTY**

NOTES TO FINANCIAL STATEMENTS

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 Marion Township, Noble County, (the Township) as a body corporate and politic. A publically-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance and fire protection services. The Township contracts with the Summerfield Volunteer Fire Department to provide fire protection.

The Township participates in the Ohio Government Risk Management Plan public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Township belongs to the Ohio Government Risk Management Plan (the Plan) an unincorporated non-profit association providing a formalized, jointly administered self insurance risk management plan. Member governments pay annual premiums to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

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 accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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:

**MARION TOWNSHIP
NOBLE COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

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 Funds:

Gasoline Tax Fund – This fund receives gasoline tax monies to pay for constructing, maintaining, and repairing Township roads.

Road and Bridge Fund – This fund receives property tax monies to pay for constructing, maintaining, and repairing Township roads and bridges.

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 reporting government's programs (for the benefit of the government of 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 general maintenance and upkeep of the township cemeteries.

E. Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control and appropriations may not exceed estimated resources. The Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources

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

Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**MARION TOWNSHIP
NOBLE COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**MARION TOWNSHIP
NOBLE COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2015	2014
Demand Deposits	\$ 101,548	\$ 100,203
Other Time Deposits	4,520	4,520
	\$ 106,068	\$ 104,723

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 26,000	\$ 52,065	\$ 26,065
Special Revenue	139,390	133,452	(5,938)
Total	\$ 165,390	\$ 185,517	\$ 20,127

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 22,356	\$ (22,356)
Special Revenue	-	161,816	(161,816)
Total	\$ -	\$ 184,172	\$ (184,172)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 23,167	\$ 32,670	\$ 9,503
Special Revenue	133,680	154,099	20,419
Total	\$ 156,847	\$ 186,769	\$ 29,922

**MARION TOWNSHIP
NOBLE COUNTY**

NOTES TO FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 28,606	\$ 28,594	\$ 12
Special Revenue	201,972	131,844	70,128
Total	\$ 230,578	\$ 160,438	\$ 70,140

Contrary to ORC 5705.41 (D), the township made expenditures prior to certification.

Contrary to ORC 5705.41(B), all expenditures exceeded appropriation in 2015 due to no appropriation measure being passed or filed with the County Auditor.

Contrary to ORC 5705.38, no appropriation was passed and filed with the County Auditor for 2015.

4. PROPERTY TAX

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

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

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

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10.00% of their gross wages and the Township contributed an amount equal to 14.00% of participant’s gross salaries. The Township has paid all contributions required through December 31, 2015.

6. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township pays the State Workers’ Compensation System a premium based on a rate of per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administrators and pays all claims.

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.

**MARION TOWNSHIP
NOBLE COUNTY**

NOTES TO FINANCIAL STATEMENTS

6. RISK MANAGEMENT (Continued)

Pursuant to Section 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.

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 of the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) 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 774 and 783 members as of December 31, 2013 and 2014, 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 years.

The Pools audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2014 the latest information available.

	2013	2014
Assets	\$ 13,774,304	\$ 14,830,185
Liabilities	(7,968,395)	(8,942,504)
Retained Earnings	\$ 5,805,909	\$ 5,887,681

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

7. FINANCIAL DIFFICULTIES

At December 31, 2015, the following funds had adjustments which the Township declined to make in the following amounts (this table includes adjustments from 2015, 2014, 2013, 2012, 2011, 2010 and 2009 that management of the Township declined to make in 2015 or 2014):

Fund	12/31/15 Balance	Adjustments Not Made	Effect on 12/31/15 Balance
General	\$ 39,224	\$ (7,746)	\$ 31,478
Gasoline Tax	19,704	7,746	27,450

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' 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 Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Marion Township, Noble County as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 23, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also issued an adverse opinion on the 2015 and 2014 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 Marion 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 first 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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 2015-001 through 2015-005 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion 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 was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed four instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001 through 2015-004.

Entity's Response to Finding

The Township's response to the finding 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.

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.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 23, 2016

**MARION TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Noncompliance/Material Weakness

Ohio Revised Code Section 505.24 set forth the method by which township trustees' compensation should be allocated.

Subsequent to House Bill 153, passed in 2011, Ohio Revised Code Section 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 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 as part of their administrative duties. Trustee compensation for administrative duties such as attendance at board meeting, 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 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 Trustee's 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 2013 and 2012, 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 2013 and 2012 for a total of \$1,320 overcharged to the Gasoline Tax Fund and \$1,320 undercharged to the General Fund. This adjustment was not posted by the Township

During 2015 and 2014, 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 \$764 and the General Fund was undercharged by \$764 for both 2015 and 2014 for a total of \$1,528 overcharged to the Gasoline Tax Fund and \$1,320 undercharged to the General Fund. This adjustment was not posted by the Township.

Client Response: We have received no response from client.

**MARION TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-002

Noncompliance Citation/Material Weakness

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

For 2015 and 2014 temporary appropriations were approved in the minutes, however, no detail was listed in the minutes and signed copies were not presented for audit. Further, permanent appropriations resolutions were not approved in the minutes for 2015 nor were the 2015 appropriations filed with the county auditor.

During 2015, the Township wrote checks totaling \$184,172 without the benefit of a permanent appropriation resolution being approved; therefore, expenditures exceeded appropriations for 2015 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.

Client Response: We have received no response from client.

**MARION TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-003

Noncompliance/Material Weakness – Certification of Funds

Ohio Revised Code Section 5705.41(D) 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 Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- 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 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts 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 the expenditures by the Township.
- Blanket Certificates. Fiscal officers may prepare "blanket" certificates if the Township has approved their use and established maximum amounts.
- Super Blanket Certificates. 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 reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

**MARION TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-003 (Continued)

The Township did not certify the availability of funds prior to the purchase commitment for 88% of expenditures tested. For these item the Township also did not prepare blanket certificates, super blankets certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. 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 code, to reduce available appropriations.

Client Response: We have not received a response from the client.

FINDING NUMBER 2015-004

Noncompliance/Material Weakness

Ohio Admin. Code Section 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 transaction, 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 Section 117-2-03.

As a result of audit procedures, errors were noted that required reclassification to the financial statement as follows:

The following is related to 2014:

- Reclassification of \$1,371 to Principal Payment and \$49 to Interest from Public Works in the Gasoline Tax Fund.

The following is related to 2015

- Reclassification of \$17,350 to Capital Outlay from General Government in the General Fund.

Sound financial reporting is the responsibility of the Township and is essential to help ensure the information provided to the readers of financial statements is complete and accurate. To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures to identify and correct errors and omissions. .

Client Response: We have not received a response from the client.

**MARION TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-005

Material Weakness

All public offices should integrate the budgetary accounts, at the legal level of control or lower, into the 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, 2015, appropriations in the Township's ledgers did not agree to the amounts approved by the Board of Trustees for the following fund:

<u>Fund</u>	<u>Appropriations per Board of Trustees</u>	<u>Appropriations Per Township's Accounting System</u>	<u>Variance</u>
General	\$ -	\$ 35,515	\$ (35,515)
MVL License Tax	-	22,326	(22,326)
Gasoline Tax	-	123,383	(123,383)
Road and Bridge	-	59,520	(59,520)
Fire District	-	17,268	(17,268)
Permissive MVL Tax	-	4,075	(4,075)
Misc. Special Revenue	-	2,515	(2,515)

This occurred because the Township did not have a permanent appropriation resolution for 2015. We recommend the Fiscal Officer accurately post appropriations as approved by the Board of Trustees and the County Budget Commission, respectively. This will provide the Township with accurate financial information of budget versus actual activity.

Client Response: We have not received a response from the client.

**MARION TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2013-001	ORC 505.24(C) Trustees paid out of funds other than General Fund	No	Not Corrected; Repeated as Finding 2015-001
2013-002	ORC 5705.38(A) and ORC 5705.41(B), No appropriation measure and all disbursements exceeded appropriation 2015	No	Not Corrected; Repeated as Finding 2015-002
2013-003	ORC 5705.41(D) Not properly certifying expenditures	No	Not Corrected; Repeated as Finding 2015-003
2013-004	Material Weakness/OAC 117-2-02(A) Improperly posting transactions	No	Not Corrected; Repeated as Finding 2015-004
2013-005	Material Weakness Appropriations not posted to system correctly	No	Not Corrected; Repeated as Finding 2015-005

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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
SEPTEMBER 15, 2016**