

Marion Township

Marion County, Ohio

Regular Audit

For the Years Ended December 31, 2005 and 2004

BALESTRA, HARR & SCHERER, CPAs, INC.
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**Auditor of State
Betty Montgomery**

Board of Trustees
Marion Township
129 South Main Street
Marion, Ohio 43302

We have reviewed the *Independent Auditor's Report* of Marion Township, Marion County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2004 through December 31, 2005. 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.

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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 13, 2006

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MARION TOWNSHIP
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Board of Trustees
Marion Township
Marion County, Ohio
129 South Main Street
Marion, Ohio 43302

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Township, Marion County, Ohio, (the Township) as of and for the years ended December 31, 2005 and 2004 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the remaining fund information of Marion Township, Marion County, Ohio as of December 31, 2005 and 2004, and the respective changes in cash basis financial position and the respective budgetary comparisons for the General, Fire District, Fire and Emergency Medical Services Funds, thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2006, 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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audits.

Marion Township
Independent Auditors' Report

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

As discussed further in Note 3, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard (GASB) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosure*, and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
October 20, 2006

Marion Township, Marion County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

This discussion and analysis of Marion Township's (the Township's) financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2005 and 2004, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 and 2004 are as follows:

Net assets of governmental activities increased \$196,076 or 15 percent, in 2005. Net assets of governmental activities decreased \$195,348, or 13 percent in 2004. The funds most affected by the increase in cash and cash equivalents in 2005 were the Fire District Fund and the Fire & Rescue Ambulance EMS Services Fund, which realized the greatest decrease of expenditures in 2005. The fund most affected by the decrease in 2004 was the General Fund, which realized an increase of expenditures in 2004.

The Township's general receipts are primarily property taxes, and intergovernmental receipts. These receipts represent respectively 59.03, and 10.02 percent of the total cash received for governmental activities during 2005 and 63.88 and 18.95 percent of the total cash received for governmental activities during 2004. Property tax receipts for 2005 increased by 3.18 percent mostly due to increase property values. Intergovernmental receipts for 2005 decreased by 40.93 percent mostly due to decreased receipts from local governments.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Marion Township, Marion County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005 and 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at years end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes and intergovernmental monies.

In the statement of net assets and the statement of activities, the Township reports only one type of activity:

Governmental activities. All of the Township's basic services are reported here. State and federal grants and property and gasoline taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Marion Township, Marion County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are all governmental funds.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. For both 2005 and 2004, the Township's major governmental funds are the General, Fire District, and Fire and Rescue Ambulance Services Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$1,496,912	\$1,300,836
Total Assets	\$1,496,912	\$1,300,836
 Net Assets		
Restricted	\$454,218	\$282,103
Unrestricted	\$1,042,637	\$1,018,733
Total Net Assets	\$1,496,912	\$1,300,836

As mentioned previously, net assets of governmental activities increased \$196,076 or 15 percent during 2005. The primary reason contributing to the increases in cash balances is as follows:

- Governmental fund expenditures decreased in 2005 primarily due to a paving project completed in 2004.

Net assets of governmental activities decreased \$195,348 or 13 percent during 2004. The primary reason contributing to the decrease in cash balances is as follows:

- Expenditures increased in 2004 due to a paving project.

Marion Township, Marion County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Table 2 reflects the changes in net assets in 2005 and 2004.

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
	<u>2005</u>	<u>2004</u>
Receipts:		
Program Receipts:		
Charges for Services	\$506,390	\$87,950
Operating Grants and Contributions	255,102	404,833
Total Program Receipts	<u>761,492</u>	<u>492,783</u>
General Receipts:		
Property and Other Local Taxes	1,851,042	1,806,686
Grants and Entitlements Not Restricted to Specific Programs	471,386	464,271
Interest	15,132	6,627
Miscellaneous	34,188	38,009
Miscellaneous	2,750	0
Total General Receipts	<u>2,374,498</u>	<u>2,315,593</u>
 Total Receipts	 <u>3,135,990</u>	 <u>2,808,376</u>
 Disbursements:		
General Government	252,425	379,588
Public Safety	2,299,258	2,216,097
Public Works	180,122	81,032
Health	90,468	52,961
Other	584	127
Capital Outlay	112,757	271,052
Debt Service:		
Principal Payments	4,300	2,867
Total Disbursements	<u>2,939,914</u>	<u>3,003,724</u>
 Increase / (Decrease) in Net Assets	 196,076	 (195,348)
Net Assets, January 1	<u>1,300,836</u>	<u>1,496,184</u>
Net Assets, December 31	<u>\$1,496,912</u>	<u>\$1,300,836</u>

Program receipts represent 24.28 percent of total receipts in 2005 and 17.55 percent of total receipts in 2004 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 75.72 percent of the Township's total receipts for 2005 and 82.45 percent of the Township's total receipts for 2004, and of this amount, 77.96 percent are property and other local taxes in 2005 and 78.02 percent are property and other local taxes in 2004. Grants and Entitlements not restricted to Specific Programs represents 19.85 percent of general receipts for 2005 and 20.05 percent of general receipts for 2004. Miscellaneous Revenue represents 11.69 percent of general receipts for 2005 and 6.55 percent of general receipts for 2004. Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of council, and the Clerk, Fire, EMS, as well as internal services such as payroll and purchasing.

Marion Township, Marion County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Governmental Activities

If you look at the Statement of Activities on pages 11 and 12, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursement for governmental activities is for public safety, which accounted for 78.21 percent of all governmental disbursements, in 2005 and 73.78 percent in 2004. The next column of the Statement entitled Program Cash Receipts identifies amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money mainly provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Total Cost Of Services 2004	Net Cost of Services 2005	Net Cost of Services 2004
General Government	\$252,425	\$379,588	\$193,694	\$366,085
Public Safety	2,299,258	2,216,097	2,000,245	1,810,590
Public Works	180,122	81,032	61,440	50,420
Health	90,468	52,961	69,286	51,032
Other	584	127	584	127
Capital Outlay	112,757	271,052	(151,127)	229,820
Debt Service:				
Principal Payments	4,300	2,867	4,300	2,867
Total Expenses	\$2,939,914	\$3,003,724	\$2,178,422	\$2,510,941

Marion Township, Marion County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

The Township's Funds

Total governmental funds had total receipts and other financing sources of \$3,440,990 and disbursements and other financing uses of \$3,244,914 in 2005 and receipts and other financing sources of \$3,502,776 and disbursements and other financing uses of \$3,698,124 in 2004. The greatest change within governmental funds occurred within the Fire and Rescue Ambulance EMS Service Fund. In 2005, the fund balance of this fund increased \$265,210 as the result of an increase in charges for service for contracts. The Fire District balance decreased in 2005 largely due to the replacement of a fire truck.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The Township uses fund budgeting and the budgeting systems are designed to tightly control the total funds' budget.

For 2005, General Fund budget basis actual receipts were \$747,549 and \$636,470 for 2004. Total actual disbursements on the budget basis (cash disbursements plus encumbrances) for 2005 were \$496,655, which were \$323,931 under cash receipts. Total actual disbursements on the budget basis (cash disbursements plus encumbrances) for 2004 were \$566,035, which were \$70,435 under cash receipts.

Debt

At December 31, 2005, the Township had debt outstanding of \$34,400 to finance a storm sewer drainage project for a housing development. For additional information on debt, see Note 10 to the basic financial statements.

Current Financial Related Activities

Marion Township is strong financially. As the preceding information shows, the Township heavily depends on its taxpayers. However, financially the future is not without challenges.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sheila Perin, Clerk/Treasurer, Marion Township, 129 South Main Street, Marion, Ohio 43302.

Marion Township, Marion County
Statement of Net Assets - Cash Basis
December 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,496,912</u>
<i>Total Assets</i>	<u><u>1,496,912</u></u>
Net Assets	
Restricted for:	
Other Purposes	454,275
Unrestricted	<u>1,042,637</u>
<i>Total Net Assets</i>	<u><u>\$ 1,496,912</u></u>

See accompanying notes to the basic financial statements

Marion Township, Marion County
Statement of Net Assets - Cash Basis
December 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,300,836</u>
<i>Total Assets</i>	<u><u>1,300,836</u></u>
Net Assets	
Restricted for:	
Capital Projects	6,319
Other Purposes	275,784
Unrestricted	<u>1,018,733</u>
<i>Total Net Assets</i>	<u><u>\$ 1,300,836</u></u>

See accompanying notes to the basic financial statements

Marion Township, Marion County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$ 252,425	\$ 58,731	\$ -	\$ (193,694)
Public Safety	2,299,258	147,639	151,374	(2,000,245)
Public Works	180,122	16,368	102,314	(61,440)
Health	90,468	21,182	-	(69,286)
Other	584	-	-	(584)
Capital Outlay	112,757	262,470	1,414	151,127
Debt Service:				
Principal Payments	4,300	-	-	(4,300)
<i>Total Governmental Activities</i>	<u>\$ 2,939,914</u>	<u>\$ 506,390</u>	<u>\$ 255,102</u>	(2,178,422)
General Receipts				
Property Taxes Levied for:				
General Purposes				148,586
Other Purposes				1,702,456
Grants and Entitlements not Restricted to Specific Programs				471,386
Interest				15,132
Miscellaneous				34,188
Sale of Capital Assets				2,750
<i>Total General Receipts</i>				<u>2,374,498</u>
Change in Net Assets				196,076
<i>Net Assets - Beginning of Year</i>				<u>1,300,836</u>
<i>Net Assets - End of Year</i>				<u>\$ 1,496,912</u>

See accompanying notes to the basic financial statements

Marion Township, Marion County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2004

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$ 379,588	\$ 13,503	\$ -	\$ (366,085)
Public Safety	2,216,097	68,660	336,847	(1,810,590)
Public Works	81,032	1,929	28,683	(50,420)
Health	52,961	1,929	-	(51,032)
Other	127	-	-	(127)
Capital Outlay	271,052	1,929	39,303	(229,820)
Debt Service:				
Principal Payments	2,867	0	0	(\$2,867)
<i>Total Governmental Activities</i>	<u>\$ 3,003,724</u>	<u>\$ 87,950</u>	<u>\$ 404,833</u>	<u>(2,510,941)</u>
General Receipts				
Property Taxes Levied for:				
General Purposes				134,465
Other Purposes				1,672,221
Grants and Entitlements not Restricted to Specific Programs				464,271
Interest				6,627
Miscellaneous				<u>38,009</u>
<i>Total General Receipts</i>				2,315,593
Change in Net Assets				(195,348)
<i>Net Assets - Beginning of Year</i>				<u>1,496,184</u>
<i>Net Assets - End of Year</i>				<u>\$ 1,300,836</u>

See accompanying notes to the basic financial statements

Marion Township, Marion County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	<u>General</u>	<u>Fire District</u>	<u>Fire & Rsc. Ambulance EMS Serv.</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 1,042,637	\$ 23,203	\$ 328,848	\$ 102,224	\$ 1,496,912
<i>Total Assets</i>	<u>1,042,637</u>	<u>23,203</u>	<u>328,848</u>	<u>102,224</u>	<u>1,496,912</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	78,010	13,843	4,389	2,914	99,156
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	964,627	-	-	-	964,627
Special Revenue Funds	-	9,360	324,459	99,310	433,129
<i>Total Fund Balances</i>	<u>\$ 1,042,637</u>	<u>\$ 23,203</u>	<u>\$ 328,848</u>	<u>\$ 102,224</u>	<u>\$ 1,496,912</u>

See accompanying notes to the basic financial statements

Marion Township, Scioto County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Fire District	Fire & Rsc. Ambulance EMS Serv.	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 1,018,733	\$ 108,717	\$ 63,638	\$ 109,748	\$ 1,300,836
<i>Total Assets</i>	<u>1,018,733</u>	<u>108,717</u>	<u>63,638</u>	<u>109,748</u>	<u>1,300,836</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	34	5,550	-	343	5,927
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	1,018,699	-	-	-	1,018,699
Special Revenue Funds	-	103,167	63,638	103,086	269,891
Capital Projects Funds	-	-	-	6,319	6,319
<i>Total Fund Balances</i>	<u>\$ 1,018,733</u>	<u>\$ 108,717</u>	<u>\$ 63,638</u>	<u>\$ 109,748</u>	<u>\$ 1,300,836</u>

See accompanying notes to the basic financial statements

Marion Township, Marion County
Statement of Cash Receipts, Disbursements and Changes in-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Fire District	Fire & Rsc Ambulance EMS Serv.	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$ 148,586	\$ 1,702,456	\$ -	\$ -	\$ 1,851,042
Charges for Services	-	-	410,109	-	410,109
Licenses, Permits and Fees	96,281	-	-	-	96,281
Intergovernmental	471,386	141,420	-	113,682	726,488
Interest	14,797	-	-	335	15,132
Other	11,043	20,439	-	-	31,482
<i>Total Receipts</i>	<u>742,093</u>	<u>1,864,315</u>	<u>410,109</u>	<u>114,017</u>	<u>3,130,534</u>
Disbursements					
Current:					
General Government	252,425	-	-	-	252,425
Public Safety	-	2,235,077	51,894	12,287	2,299,258
Public Works	70,868	-	-	109,254	180,122
Health	90,468	-	-	-	90,468
Capital Outlay	-	19,752	93,005	-	112,757
Debt Service:					
Principal Payments	4,300	-	-	-	4,300
<i>Total Disbursements</i>	<u>418,061</u>	<u>2,254,829</u>	<u>144,899</u>	<u>121,541</u>	<u>2,939,330</u>
<i>Excess of Receipts Over / (Under) Disbursements</i>	<u>324,032</u>	<u>(390,514)</u>	<u>265,210</u>	<u>(7,524)</u>	<u>191,204</u>
Other Financing Sources / (Uses)					
Advances In	-	305,000	-	-	305,000
Advances Out	(305,000)	-	-	-	(305,000)
Sale of Capital Assets	2,750	-	-	-	2,750
Other Financing Sources	2,706	-	-	-	2,706
Other Financing Uses	(584)	-	-	-	(584)
<i>Total Other Financing Sources / (Uses)</i>	<u>(300,128)</u>	<u>305,000</u>	<u>-</u>	<u>-</u>	<u>4,872</u>
<i>Net Change in Fund Balances</i>	23,904	(85,514)	265,210	(7,524)	196,076
<i>Fund Balances - Beginning of Year</i>	<u>1,018,733</u>	<u>108,717</u>	<u>63,638</u>	<u>109,748</u>	<u>1,300,836</u>
<i>Fund Balances - End of Year</i>	<u>\$ 1,042,637</u>	<u>\$ 23,203</u>	<u>\$ 328,848</u>	<u>\$ 102,224</u>	<u>\$ 1,496,912</u>

See accompanying notes to the basic financial statements

Marion Township, Marion County
Statement of Cash Receipts, Disbursements and Changes in-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Fire District	Fire & Rsc. Ambulance EMS Serv.	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$ 134,465	\$ 1,672,221	\$ -	\$ -	\$ 1,806,686
Charges for Services	-	-	42,891	-	42,891
Licenses, Permits and Fees	19,290	-	25,769	-	45,059
Intergovernmental	464,271	118,001	-	286,832	869,104
Interest	6,411	-	-	216	6,627
Other	12,033	19,736	-	-	31,769
<i>Total Receipts</i>	<u>636,470</u>	<u>1,809,958</u>	<u>68,660</u>	<u>287,048</u>	<u>2,802,136</u>
Disbursements					
Current:					
General Government	379,588	-	-	-	379,588
Public Safety	57	1,970,104	5,023	240,913	2,216,097
Public Works	52,796	-	-	28,236	81,032
Health	52,961	-	-	-	52,961
Capital Outlay	51,603	188,569	-	30,880	271,052
Debt Service:					
Principal Payments	2,867	-	-	-	2,867
<i>Total Disbursements</i>	<u>539,872</u>	<u>2,158,673</u>	<u>5,023</u>	<u>300,029</u>	<u>3,003,597</u>
<i>Excess of Receipts Over / (Under) Disbursements</i>	<u>96,598</u>	<u>(348,715)</u>	<u>63,637</u>	<u>(12,981)</u>	<u>(201,461)</u>
Other Financing Sources (Uses)					
Transfers In	-	-	-	26,002	26,002
Transfers Out	(26,002)	-	-	-	(26,002)
Advances In	185,298	278,100	-	205,000	668,398
Advances Out	(483,100)	(800)	-	(184,498)	(668,398)
Other Financing Sources	-	1	1	6,238	6,240
Other Financing Uses	(127)	-	-	-	(127)
<i>Total Other Financing Sources (Uses)</i>	<u>(323,931)</u>	<u>277,301</u>	<u>1</u>	<u>52,742</u>	<u>6,113</u>
<i>Net Change in Fund Balances</i>	<u>(227,333)</u>	<u>(71,414)</u>	<u>63,638</u>	<u>39,761</u>	<u>(195,348)</u>
<i>Fund Balances - Beginning of Year</i>	<u>1,246,066</u>	<u>180,131</u>	<u>-</u>	<u>69,987</u>	<u>1,496,184</u>
<i>Fund Balances - End of Year</i>	<u>\$ 1,018,733</u>	<u>\$ 108,717</u>	<u>\$ 63,638</u>	<u>\$ 109,748</u>	<u>\$ 1,300,836</u>

See accompanying notes to the basic financial statements

Marion Township, Marion County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$132,625	\$132,625	\$148,586	15,961
Intergovernmental	121,809	121,809	471,386	349,577
Licenses, Permits and Fees	9,004	9,004	96,281	87,277
Interest	10,300	10,300	14,797	4,497
Other	168,420	168,420	11,043	(157,377)
<i>Total Receipts</i>	<u>442,158</u>	<u>442,158</u>	<u>742,093</u>	<u>299,935</u>
Disbursements				
Current:				
General Government	437,858	437,858	330,435	107,423
Public Works	0	0	70,868	(70,868)
Health	0	0	90,468	(90,468)
Debt Service:				
Principal Payments	4,300	4,300	4,300	0
<i>Total Disbursements</i>	<u>442,158</u>	<u>442,158</u>	<u>496,071</u>	<u>(53,913)</u>
<i>Excess of Receipts Over / (Under) Disbursements</i>	<u>0</u>	<u>0</u>	<u>246,022</u>	<u>246,022</u>
Other Financing Sources / (Uses)				
Advances Out	0	0	(305,000)	(305,000)
Sale of Capital Assets	0	0	2,750	2,750
Other Financing Sources	0	0	2,706	2,706
Other Financing Uses	0	0	(584)	(584)
<i>Total Other Financing Sources / (Uses)</i>	<u>0</u>	<u>0</u>	<u>(300,128)</u>	<u>(300,128)</u>
<i>Net Change in Fund Balance</i>	0	0	(54,106)	(54,106)
<i>Fund Balance - Beginning of Year</i>	1,018,699	1,018,699	1,018,699	0
Prior Year Encumbrances Appropriated	34	34	34	0
<i>Fund Balance - End of Year</i>	<u>\$1,018,733</u>	<u>\$1,018,733</u>	<u>\$964,627</u>	<u>(\$54,106)</u>

See accompanying notes to the basic financial statements

Marion Township, Marion County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire District Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$1,636,931	\$1,636,931	\$1,702,456	\$65,525
Intergovernmental	149,446	149,446	141,420	(8,026)
Other	19,195	19,195	20,439	1,244
<i>Total Receipts</i>	<u>1,805,572</u>	<u>1,805,572</u>	<u>1,864,315</u>	<u>58,743</u>
Disbursements				
Current:				
Public Safety	1,805,752	1,805,752	2,248,920	(443,168)
Capital Outlay	<u>0</u>	<u>0</u>	<u>19,752</u>	<u>(19,752)</u>
<i>Total Disbursements</i>	<u>1,805,752</u>	<u>1,805,752</u>	<u>2,268,672</u>	<u>(462,920)</u>
<i>Excess of Receipts Over / (Under) Disbursements</i>	<u>(180)</u>	<u>(180)</u>	<u>(404,357)</u>	<u>(404,177)</u>
Other Financing Sources / (Uses)				
Advances in	<u>0</u>	<u>0</u>	<u>305,000</u>	<u>305,000</u>
<i>Total Other Financing Sources / (Uses)</i>	<u>0</u>	<u>0</u>	<u>305,000</u>	<u>305,000</u>
<i>Net Change in Fund Balance</i>	(180)	(180)	(99,357)	(99,177)
<i>Fund Balance - Beginning of Year</i>	103,167	103,167	103,167	0
<i>Prior Year Encumbrances Appropriated</i>	<u>5,550</u>	<u>5,550</u>	<u>5,550</u>	<u>0</u>
<i>Fund Balance - End of Year</i>	<u><u>\$108,537</u></u>	<u><u>\$108,537</u></u>	<u><u>\$9,360</u></u>	<u><u>(\$99,177)</u></u>

See accompanying notes to the basic financial statements

Marion Township, Marion County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Fire & Rescue Emergency Medical Services Fund
 For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$200,000	\$200,000	\$410,109	\$210,109
<i>Total Receipts</i>	<u>200,000</u>	<u>200,000</u>	<u>410,109</u>	<u>210,109</u>
Disbursements				
Current:				
Public Safety	0	0	56,283	(56,283)
Capital Outlay	0	0	93,005	(93,005)
<i>Total Disbursements</i>	<u>0</u>	<u>0</u>	<u>149,288</u>	<u>(149,288)</u>
<i>Excess of Receipts Over (Under) / Disbursements</i>	<u>200,000</u>	<u>200,000</u>	<u>260,821</u>	<u>60,821</u>
<i>Net Change in Fund Balance</i>	200,000	200,000	260,821	60,821
<i>Fund Balance - Beginning of Year</i>	<u>63,637</u>	<u>63,637</u>	<u>63,637</u>	<u>0</u>
<i>Fund Balance - End of Year</i>	<u><u>\$263,637</u></u>	<u><u>\$263,637</u></u>	<u><u>\$324,458</u></u>	<u><u>\$60,821</u></u>

See accompanying notes to the basic financial statements

Marion Township, Marion County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$133,958	\$133,958	\$134,465	\$507
Intergovernmental	133,539	133,539	464,271	330,732
Licenses, Permits and Fees	8,742	8,742	19,290	10,548
Interest	10,000	10,000	6,411	(3,589)
Other	171,476	171,476	12,033	(159,443)
<i>Total receipts</i>	<u>457,715</u>	<u>457,715</u>	<u>636,470</u>	<u>178,755</u>
Disbursements				
Current:				
General Government	1,068,311	1,068,311	379,622	688,689
Public Safety	301,000	301,000	57	300,943
Public Works	125,000	125,000	52,796	72,204
Health	95,000	95,000	52,961	42,039
Capital Outlay	111,603	111,603	51,603	60,000
Debt Service:				
Principal Payments	2,867	2,867	2,867	0
<i>Total Disbursements</i>	<u>1,703,781</u>	<u>1,703,781</u>	<u>539,906</u>	<u>1,163,875</u>
<i>Excess of Receipts Over / (Under) Disbursements</i>	<u>(1,246,066)</u>	<u>(1,246,066)</u>	<u>96,564</u>	<u>1,342,630</u>
Other Financing Sources (Uses)				
Transfers Out	0	0	(26,002)	(26,002)
Advances In	0	0	185,298	185,298
Advances Out	0	0	(483,100)	(483,100)
Other Financing Uses	0	0	(127)	(127)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>(323,931)</u>	<u>(323,931)</u>
<i>Net Change in Fund Balance</i>	(1,246,066)	(1,246,066)	(227,367)	1,018,699
<i>Fund Balance - Beginning of Year</i>	<u>1,246,066</u>	<u>1,246,066</u>	<u>1,246,066</u>	<u>0</u>
<i>Fund Balance - End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$1,018,699</u></u>	<u><u>\$1,018,699</u></u>

See accompanying notes to the basic financial statements

Marion Township, Marion County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire District Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$1,648,036	\$1,648,036	\$1,672,221	\$24,185
Intergovernmental	124,571	124,571	118,001	(\$6,570)
Other	39,158	39,159	19,736	(\$19,423)
<i>Total Receipts</i>	<u>1,811,765</u>	<u>1,811,766</u>	<u>1,809,958</u>	<u>(1,808)</u>
Disbursements				
Current:				
Public Safety	2,018,269	2,018,269	1,975,653	42,616
Capital Outlay	225,000	225,000	188,569	36,431
<i>Total Disbursements</i>	<u>2,243,269</u>	<u>2,243,269</u>	<u>2,164,222</u>	<u>79,047</u>
<i>Excess of Receipts Over / (Under) Disbursements</i>	<u>(431,504)</u>	<u>(431,503)</u>	<u>(354,264)</u>	<u>77,239</u>
Other Financing Sources (Uses)				
Advances In	0	0	278,100	278,100
Advances Out	0	0	(800)	(800)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>277,300</u>	<u>277,300</u>
<i>Net Change in Fund Balance</i>	(431,504)	(431,503)	(76,964)	354,539
<i>Fund Balance - Beginning of Year</i>	<u>180,131</u>	<u>180,131</u>	<u>180,131</u>	<u>0</u>
<i>Fund Balance - End of Year</i>	<u>(\$251,373)</u>	<u>(\$251,372)</u>	<u>\$103,167</u>	<u>\$354,539</u>

See accompanying notes to the basic financial statements

Marion Township, Marion County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire & Rescue Emergency Medical Service
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Charges for Services	\$0	\$0	\$42,891	\$42,891
Licenses, Permits and Fees	<u>0</u>	<u>0</u>	<u>25,769</u>	<u>25,769</u>
<i>Total Receipts</i>	<u>0</u>	<u>0</u>	<u>68,660</u>	<u>68,660</u>
Disbursements				
Current:				
Public Safety	<u>5,023</u>	<u>5,023</u>	<u>5,023</u>	<u>0</u>
<i>Total Disbursements</i>	<u>5,023</u>	<u>5,023</u>	<u>5,023</u>	<u>0</u>
<i>Excess of Receipts Over / (Under) Disbursements</i>	<u>(5,023)</u>	<u>(5,023)</u>	<u>63,637</u>	<u>68,660</u>
<i>Net Change in Fund Balance</i>	<u>(5,023)</u>	<u>(5,023)</u>	<u>63,637</u>	<u>68,660</u>
<i>Fund Balance - End of Year</i>	<u><u>(\$5,023)</u></u>	<u><u>(\$5,023)</u></u>	<u><u>\$63,637</u></u>	<u><u>\$68,660</u></u>

See accompanying notes to the basic financial statements

Marion Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 1 – Reporting Entity

Marion Township, Marion County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, cemetery maintenance, fire protection and emergency medical services.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township had no component units.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Marion Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are governmental. The Township has no proprietary or fiduciary funds.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Fire District Fund and the Fire and Rescue Ambulance EMS Service Fund.

The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

The Fire District Fund receives property tax and local government funding for the equipping, maintaining, and general operations of the Township fire department.

Marion Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

The Fire and Rescue Ambulance EMS Service Fund receives money through charges for services, for the operating of the EMS service of the Township.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

Marion Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process (continued)

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$14,797 and \$335 assigned to other Township funds. Interest receipts credited to the General Fund during 2004 was \$6,411 and \$216 assigned to other Township funds.

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Accumulated Leave

Vacation and sick leave benefits are not accrued under the cash basis of accounting as previously described.

I. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Township’s cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

Marion Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for grants.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

M. Interfund Transactions

Interfund transfers are reported as other financing sources/uses in governmental funds. Repayment from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide financial statements, transfers within governmental activities are eliminated.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Township had no extraordinary or special items in 2005 and 2004.

Note 3 – Change in Basis of Accounting

The Township has elected to present its financial statements in a format consistent with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements—and Managements Discussion and Analysis—for State and Local Governments*, 37, *Basic Financial Statements for State and Local Governments: Omnibus*, 38, *Certain Financial Statements Note Disclosures*. These statements create and amends new basic financial statements and note disclosures for reporting on the Township's financial activities. The financial statements now include government-wide financial statements and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. GASB Statement No. 34 requires GAAP reporting, however the Township presented "look alike" statements on the cash basis of accounting.

The Township has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*. GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments. The implementation of GASB Statement No. 40 had no effect on the Township's financial statements.

Marion Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General, Fire District, and Fire and Rescue Emergency Medical Service Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements rather than as a reservation of fund balance.

Net Change in Fund Balance 2005			
	General	Fire District	Fire Rescue and Emergency Medical Service
Cash Basis	\$23,904	(\$85,514)	\$265,210
Encumbrances	(78,010)	(13,843)	(4,389)
Budget Basis	(\$54,106)	(\$99,357)	\$260,821

Net Change in Fund Balance 2004			
	General	Fire	Fire Rescue and Emergency Medical Service
Cash Basis	(\$227,333)	(\$71,414)	\$63,638
Encumbrances	(34)	(5,550)	0
Budget Basis	(\$227,367)	(\$76,964)	\$63,637

Note 5 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Marion Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 5 - Deposits and Investments (continued)

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At 2005 year end, \$1,291,931 of the Township's bank balance of \$1,491,931 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name. At 2004 year end, \$1,330,353 of the Township's bank balance of \$1,530,353 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Marion Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 5 - Deposits and Investments (continued)

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

The Township had no investments for the years ended December 31, 2005 and 2004.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Marion Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 6 – Property Taxes (continued)

The full tax rate for all Township operations for the year ended December 31, 2005, was \$10.50 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 and 2004 property tax receipts were based are as follows:

	2004	2005
Real Property		
Residential/Agriculture	\$347,222,150	\$363,701,820
Commercial/Industrial/Mineral	129,352,320	131,151,070
Public Utility Property		
Real	3,519,450	3,535,020
Personal	33,297,610	31,909,570
Tangible Personal Property	99,587,414	98,671,904
Total Assessed Value	\$612,978,944	\$628,969,384

Note 7 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005 and 2004 the Township obtained commercial insurance for the following risks:

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

Claims have not exceeded coverage in any of the past three years. Coverage has not significantly changed since the prior year.

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

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

Marion Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 8 – Defined Benefit Pension Plan (continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2005 was 13.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 16.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$60,198, \$60,398, and \$58,692 respectively. The full amount has been contributed for 2005, 2004 and 2003.

Ohio Police and Fire Pension Fund

The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The Township's contributions to OP&F for the years ended December 31, 2005, 2004, and 2003 were \$379,331, \$347,731, and \$342,651, respectively. All required contributions have been paid for 2005, 2004, and 2003.

Marion Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 9 – Post Employment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 and 2004 which were used to fund postemployment benefits were \$12,924 and \$12,243, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

The OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22, if attending school full-time or on a two-thirds basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12, Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*. The Ohio Revised Code provides that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

Marion Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 9 - Postemployment Benefits (continued)

Ohio Public Employees Retirement System (continued)

The Ohio Revised Code provides the statutory authority allowing the OP&F's Board of Trustees to offer health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2004 and 2005. In addition, since July 1, 1992 most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2004, the date of the last actuarial valuation available, are 13,812 for police and 10,528 for firefighters. The portion of the employer contributions that were used to pay post-employment benefits amounted to \$122,523.

OP&F's total health care expense for the year ending December 31, 2004, the date of the last actuarial valuation available, was \$102,173,796, which was net of member contributions of \$55,665,341.

Note 10 – Debt

A summary of the note transactions for the year ended December 31, 2005, follows:

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2005
Ohio Public Works Commission Loan	0	\$41,567	\$0	\$7,167	\$34,400
		\$41,567	\$0	\$7,167	\$34,400

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

The following is a summary of the Township's future annual debt service requirements:

Year	OPWC Loan	
	Principal	Interest
2006	\$2,867	\$0
2007	2,867	0
2008	2,867	0
2009	2,867	0
2010	2,867	0
2011-2015	14,335	0
2016-2020	5,730	0
Totals	\$34,400	\$0

Marion Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 6 – INTERFUND ACTIVITY

The following interfund activity occurred during the year ended December 31, 2005:

	Advances In	Advances Out
Funds:		
General Fund	\$305,000	\$0
Major Special Revenue Fund:		
Fire District Fund	0	305,000
Total Major Special Revenue Fund	0	305,000
Totals	\$305,000	\$305,000

The Fire District Fund repaid the General Fund for a previous advance of funds issued to coverage expenses until anticipated receipts were collected.

The following interfund activity occurred during the year ended December 31, 2004:

	Transfers In	Transfers Out	Advances In	Advances Out
Funds:				
General Fund	\$0	\$26,002	\$185,298	\$483,100
Major Special Revenue Fund:				
Fire District	0	0	278,100	800
Total Major Special Revenue Fund	0	0	278,100	800
Nonmajor Special Revenue Funds:				
District	5,500	0	0	0
FEMA	20,502	0	205,000	184,498
Total Nonmajor Special Revenue Funds	26,002	0	205,000	184,498
Total Other Governmental Funds	26,002	0	205,000	184,498
Totals	\$26,002	\$26,002	\$668,398	\$668,398

The General Fund transferred funds to various other funds to cover operating expenses.

The General Fund received repayments of advances from the Fire District and FEMA Funds for previous advances of funds issued to cover expenses until anticipated receipts were collected. The General Fund advanced funds to various funds to cover expenses until anticipated receipts are collected.

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Ohio Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Marion Township
Marion County, Ohio
129 South Main Street
Marion, OH 43302

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Township, Marion County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 20, 2006 wherein we noted the Township prepared its financial statements on a basis of accounting other than accounting principles generally accepted in the United States of America and revised its financial presentation to be comparable to the requirement of Governmental Accounting Standard Board Statements No. 34, 37, and 38 and implemented GASB Statement No. 40. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is reportable a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are disclosed as items 2005-001, 2005-002, and 2005-003 in the accompanying schedule of findings.

We noted certain matters that we reported to management of the Township in a separate letter dated October 20, 2006.

Marion Township

Marion County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*

Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored rectangular background.

Balestra, Harr & Scherer, CPAs, Inc.
October 20, 2006

MARION TOWNSHIP, MARION COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

In 2005, the General Fund budgetary expenditures exceeded appropriations by \$53,913. The Fire District Fund budgetary expenditures exceeded appropriations by \$462,920. The Fire and Rescue Emergency Medical Services Fund budgetary expenditures exceeded appropriations by \$149,288.

The Township Clerk should deny payment requests exceeding appropriations. The Township Clerk may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2005-002

Noncompliance Citation

Ohio Revised Code Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: - This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of subdivision or taxing district.

Amounts of less than \$3000 for political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 for expenditures by the taxing authority.

Forty-three percent (43%) of the expenditures tested in 2005 and 2004 did not have the prior certification of the Township's Clerk and neither of the above exceptions had been met. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

The Township's employees and officials should obtain the certification of the Township Clerk prior to a commitment being incurred.

MARION TOWNSHIP, MARION COUNTY
SCHEDULE OF FINDINGS
 (CONTINUED)
 DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-003

Noncompliance Citation

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources.

In 2004, the Fire District Fund appropriations exceeded estimated resources by \$251,372. The Fire and Rescue Emergency Medical Service Fund appropriations exceeded estimated resources by \$5,023.

The Township should implement monitoring procedures for assurance that appropriation levels do not exceed estimated resource limitations.

CORRECTIVE ACTION PLAN

Finding Number	Planned Corrective Action:	Anticipated Completion Date:	Responsible Contact Person:
2005-001	The Township will implement monitoring procedures to ensure that expenditures are within appropriation limits.	12/31/06	Sheila Perin, Clerk/Treasurer
2005-002	The Township will implement procedures to ensure that purchase orders are prepared timely or that then and now certificates are implemented.	12/31/06	Sheila Perin, Clerk/Treasurer
2005-003	The Township will implement procedures to ensure that appropriations are limited to estimated resource limits.	12/31/06	Sheila Perin, Clerk/Treasurer

MARION TOWNSHIP, MARION COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Ohio Revised Code 5705.41(D), Failure to Certify Funds	No	Not Corrected, Citation being re-issued as Finding 2005-002



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MARION TOWNSHIP

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 26, 2006**