



**Auditor of State
Betty Montgomery**

MARION TOWNSHIP
ALLEN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types and Similar Fiduciary Fund - For the Year Ended December 31, 2005.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Agency Fund - For the Year Ended December 31, 2005.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types and Similar Fiduciary Fund - For the Year Ended December 31, 2004.....	7
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Agency Fund - For the Year Ended December 31, 2004.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	21

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**Auditor of State
Betty Montgomery**

Marion Township
Allen County
5405 Kiggins Road
Delphos, Ohio 45833

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 13, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Marion Township
Allen County
5405 Kiggins Road
Delphos, Ohio 45833

To the Board of Trustees:

We have audited the accompanying financial statements of Marion Township, Allen County, (the Township), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

October 13, 2006

**MARION TOWNSHIP
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Fund</u>	
Cash Receipts:				
Local Taxes	\$26,211	\$195,319		\$221,530
Intergovernmental	76,480	122,384		198,864
Earnings on Investments	5,300	1,086		6,386
Other Revenue	6,252	18,320		24,572
	<u>114,243</u>	<u>337,109</u>		<u>451,352</u>
Cash Disbursements:				
Current:				
General Government	88,790			88,790
Public Safety		140,377		140,377
Public Works	23,440	156,466		179,906
Health	15,414			15,414
Debt Service:				
Redemption of Principal		3,044		3,044
Interest and Fiscal Charges		465		465
Capital Outlay	9,898	33,622		43,520
	<u>137,542</u>	<u>333,974</u>		<u>471,516</u>
Total Receipts Over/(Under) Disbursements	<u>(23,299)</u>	<u>3,135</u>		<u>(20,164)</u>
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Loan Proceeds		19,383		19,383
Other Sources	129			129
Other Uses		(315)		(315)
	<u>129</u>	<u>19,068</u>		<u>19,197</u>
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(23,170)</u>	<u>22,203</u>		<u>(967)</u>
Fund Cash Balances, January 1	<u>21,207</u>	<u>154,922</u>	<u>44,278</u>	<u>220,407</u>
Fund Cash Balances, December 31	<u><u>(\$1,963)</u></u>	<u><u>\$177,125</u></u>	<u><u>\$44,278</u></u>	<u><u>\$219,440</u></u>
Reserve for Encumbrances, December 31	<u><u>\$557</u></u>	<u><u>\$11,541</u></u>		<u><u>\$12,098</u></u>

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

MARION TOWNSHIP
ALLEN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

Non-Operating Cash Receipts:	
Other Non-Operating Receipts	33,019
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>33,847</u>
Net Receipts (Under) Disbursements	(828)
Fund Cash Balance, January 1	<u>1,570</u>
Fund Cash Balance, December 31	<u><u>\$742</u></u>

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

**MARION TOWNSHIP
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Fund</u>	
Cash Receipts:					
Local Taxes	\$23,049	\$195,371			\$218,420
Intergovernmental	105,821	107,131	68,155		281,107
Earnings on Investments	3,811	1,065			4,876
Other Revenue	7,328	9,189			16,517
	<u>140,009</u>	<u>312,756</u>	<u>68,155</u>		<u>520,920</u>
Cash Disbursements:					
Current:					
General Government	102,585				102,585
Public Safety		136,914			136,914
Public Works	927	178,609			179,536
Health	15,863				15,863
Capital Outlay	1,055	29,349	68,155		98,559
	<u>120,430</u>	<u>344,872</u>	<u>68,155</u>		<u>533,457</u>
Total Receipts Over/(Under) Disbursements	19,579	(32,116)			(12,537)
Other Financing Receipts:					
Other Sources	54				54
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	19,633	(32,116)			(12,483)
Fund Cash Balances, January 1	1,574	187,038		44,278	232,890
Fund Cash Balances, December 31	<u>\$21,207</u>	<u>\$154,922</u>	<u>\$0</u>	<u>\$44,278</u>	<u>\$220,407</u>
Reserve for Encumbrances, December 31	<u>\$2,156</u>				<u>\$2,156</u>

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

MARION TOWNSHIP
ALLEN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

Non-Operating Cash Receipts:	
Other Non-Operating Receipts	\$35,457
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>34,818</u>
Net Receipts Over Disbursements	639
Fund Cash Balance, January 1	<u>931</u>
Fund Cash Balance, December 31	<u><u>\$1,570</u></u>

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

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

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, Allen County, (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, police protection, and emergency medical services. The Township contracts with the Elida Community Fire Company to provide fire services and the City of Delphos, to provide ambulance services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash 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.

The Township values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire District Fund – This fund receives property tax money for fire protection and ambulance service within the Township.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following Capital Project Fund:

Issue II Fund - The Township received a grant from the State of Ohio to perform road work on various roads within the Township.

4. Fiduciary Funds (Trust and Agency Funds)

These funds account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant Fiduciary Funds:

Bellis Trust Fund - This fund is used to account for the proceeds from the sale of the Bellis Farm. These monies are to be used for the benefit of the suffering poor of the Township.

Agency Fund - The Township has established this fund to be used as an escrow account for payroll deductions.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. 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 also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

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

	2005	2004
Demand deposits	\$85,748	\$190,657
Certificates of deposit	133,229	30,152
Total deposits	218,977	220,809
STAR Ohio	1,205	1,168
Total deposits and investments	\$220,182	\$221,977

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$146,965	\$114,372	(\$32,593)
Special Revenue	306,200	356,492	50,292
Fiduciary	0	0	0
Total	\$453,165	\$470,864	\$17,699

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$172,111	\$138,099	\$34,012
Special Revenue	367,274	345,830	21,444
Fiduciary	44,278	0	44,278
Total	<u>\$583,663</u>	<u>\$483,929</u>	<u>\$99,734</u>

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$183,449	\$140,063	(\$43,386)
Special Revenue	314,500	312,756	(1,744)
Capital Projects	68,155	68,155	0
Fiduciary	0	0	0
Total	<u>\$566,104</u>	<u>\$520,974</u>	<u>(\$45,130)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$203,394	\$122,586	\$80,808
Special Revenue	483,258	344,872	138,386
Capital Projects	68,155	68,155	0
Fiduciary	44,278	0	44,278
Total	<u>\$799,085</u>	<u>\$535,613</u>	<u>\$263,472</u>

4. PROPERTY TAX

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

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

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

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

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Vehicle Loan	\$16,339	4.75%

On May 9, 2005, the Township obtained a loan in the amount of \$19,383 for the purchase of a vehicle for the police department. The interest rate is 4.75% and the loan will mature on May 9, 2008.

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

Year ending December 31:	Vehicle Loan
2006	\$7,017
2007	7,017
2008	3,509
Total	\$17,543

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, members of OPERS contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

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

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RISK MANAGEMENT (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004:

**MARION TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RISK MANAGEMENT (Continued)

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$13,604.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Marion Township
Allen County
5405 Kiggins Road
Delphos, Ohio 45833

To the Board of Trustees:

We have audited the financial statements of Marion Township, Allen County, (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 13, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated October 13, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated October 13, 2006.

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Marion Township
Allen County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 13, 2006

**MARION TOWNSHIP
ALLEN 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 Rev. Code Section 5705.10, in part, states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

During 2004, the Fiscal Officer recorded a homestead and rollback distribution in the amount of \$3,301 belonging to the Fire Fund in the Police Fund.

During 2004 and 2005, the Fiscal Officer recorded the excess IRP distributions, in the amount of \$623 and \$334, in the Gasoline Tax Fund and the General Fund, respectively, instead of the Motor Vehicle License Tax Fund.

The Township has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts in the funds. The required adjustments had the following effect upon the respective fund balances:

<u>2004</u>	<u>Fire Fund</u>	<u>Police Fund</u>	<u>MVL Fund</u>	<u>Gasoline Tax Fund</u>
Homestead and Rollback	\$3,301	(\$3,301)		
Excess IRP Distribution			\$623	(\$623)
<u>2005</u>			<u>MVL Fund</u>	<u>General Fund</u>
Excess IRP Distribution			\$334	(\$334)

The Township's Board should periodically review recorded revenue transactions to help assure they have been recorded in the correct fund.

Ohio Rev. Code Section 5705.10 further states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The Township's General Fund had a negative cash fund balance at December 31, 2005 in the amount of \$1,963. This negative fund balance was a result of audit adjustments made in 2005 and 2004 to correctly record the Fiscal Officer wages in the General Fund instead of the Gasoline Tax Fund.

FINDING NUMBER 2005-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(C) states that no subdivision is to expend money except by a proper warrant drawn against an appropriate fund.

During fiscal years 2004 and 2005, the Township expended \$3,849 and \$2,975, respectively, from the Gasoline Tax Fund for the Fiscal Officer's annual salary that should have been expended from the General Fund. Per the *Ohio Township Handbook* published by the Ohio Auditor of State's Office, the fiscal officer's annual salary is a General Fund expenditure.

The Township has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts in the funds. The required adjustments had the following effect upon the respective fund balances:

Fiscal Officer Wages	General Fund	Gasoline Tax Fund
2004	(\$3,849)	\$3,849
2005	(\$2,975)	\$2,975

The Township's Board should periodically review expenditures to help assure they have been recorded in the correct fund.

OFFICIAL'S RESPONSE

We did not receive a response from Officials to these findings.

**MARION TOWNSHIP
ALLEN 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; <i>Explain</i>
2003-001 to 2003-003	ORC Sec. 505.24(A) & (B) – Findings for Recovery – Repaid Under Audit - Trustees were overpaid	Yes – Amounts Repaid	
2003-004	ORC Sec. 507.09(A) & (D) – Finding for recovery – Repaid Under Audit - Clerk was overpaid	Yes – Amount Repaid	
2003-005	ORC Sec. 5705.10 – Recorded a portion of the Clerk's wages to the Fire Fund and also had several incorrect postings of receipts	No	Repeated as findings 2005-001 and 2005-002.
2003-006	ORC Sec. 5705.36 – Appropriations exceeded actual resources for various funds	No	Repeated in Management Letter



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MARION TOWNSHIP

ALLEN 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
NOVEMBER 9, 2006**