



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MARION TOWNSHIP
PIKE COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Schedule of Findings	11
Schedule of Prior Audit Findings	13

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Marion Township
Pike County
676 SR 335
P.O. Box 45
Stockdale, Ohio 45683

To the Board of Trustees:

We have audited the accompanying financial statements of Marion Township, Pike County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio law requires that interest earned on monies derived from Motor Vehicle License and Fuel Tax be paid into the fund to which the principal belongs. All interest earned by the Township was credited to the General Fund. Had the interest been credited to the appropriate funds, the effect would have been to decrease the General Fund balance by \$895 to \$6,699 and to increase the MVL Fund balance by \$39 to \$574 and to increase the Gas Tax Fund balance by \$859 to \$15,913 as of December 31, 2001.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the effects of not posting interest to the funds as prescribed by Ohio law, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Marion Township, Pike County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Marion Township
Pike County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

June 17, 2002

**MARION TOWNSHIP
PIKE COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$4,667	\$43,411	\$48,078
Intergovernmental	20,629	59,718	80,347
Earnings on Investments	955		955
Other Revenue	609	1,100	1,709
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	26,860	104,229	131,089
Cash Disbursements:			
Current:			
General Government	29,936	37,117	67,053
Public Works		56,914	56,914
Health	708		708
Debt Service:			
Redemption of Principal		7,500	7,500
Interest and Fiscal Charges		356	356
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	30,644	101,887	132,531
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	(3,784)	2,342	(1,442)
Other Financing Receipts and (Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes		5,000	5,000
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	0	5,000	5,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	(3,784)	7,342	3,558
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	11,378	18,249	29,627
Fund Cash Balances, December 31	<hr/> \$7,594	<hr/> \$25,591	<hr/> \$33,185

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

**MARION TOWNSHIP
PIKE COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$5,080	\$34,828	\$39,908
Intergovernmental	28,090	58,302	86,392
Earnings on Investments	1,096		1,096
Other Revenue		1,632	1,632
		<u>1,632</u>	<u>1,632</u>
 Total Cash Receipts	 <u>34,266</u>	 <u>94,762</u>	 <u>129,028</u>
Cash Disbursements:			
Current:			
General Government	33,304	31,930	65,234
Public Works		75,378	75,378
Health	617		617
		<u>617</u>	<u>617</u>
 Total Cash Disbursements	 <u>33,921</u>	 <u>107,308</u>	 <u>141,229</u>
 Total Cash Receipts Over/(Under) Cash Disbursements	 <u>345</u>	 <u>(12,546)</u>	 <u>(12,201)</u>
Other Financing Receipts and (Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes		7,500	7,500
		<u>7,500</u>	<u>7,500</u>
 Total Other Financing Receipts/(Disbursements)	 <u>0</u>	 <u>7,500</u>	 <u>7,500</u>
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 345	 (5,046)	 (4,701)
 Fund Cash Balances, January 1	 <u>11,033</u>	 <u>23,295</u>	 <u>34,328</u>
 Fund Cash Balances, December 31	 <u>\$11,378</u>	 <u>\$18,249</u>	 <u>\$29,627</u>

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

**MARION TOWNSHIP
PIKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Marion Township, Pike County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, and cemetery maintenance. The Township contracts within the Village of Beaver and the Stockdale Volunteer Fire Department to provide fire services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

The township had one primary checking account during the audit period.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

**MARION TOWNSHIP
PIKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The township did not encumber all commitments required by Ohio Law.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	<u>2001</u>	<u>2000</u>
Demand Deposits	\$33,185	\$29,627
Total deposits	<u>\$33,185</u>	<u>\$29,627</u>

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

**MARION TOWNSHIP
PIKE COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,639	\$26,860	\$2,221
Special Revenue	94,489	109,229	14,740
Total	\$119,128	\$136,089	\$16,961

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$38,000	\$30,644	\$7,356
Special Revenue	122,000	101,887	20,113
Total	\$160,000	\$132,531	\$27,469

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$22,510	\$34,266	\$11,756
Special Revenue	99,565	102,262	2,697
Total	\$122,075	\$136,528	\$14,453

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$35,980	\$33,921	\$2,059
Special Revenue	111,600	107,308	4,292
Total	\$147,580	\$141,229	\$6,351

Contrary to Ohio Law, appropriations exceeded estimated resources in the General Fund, Motor Vehicle License Tax Fund, Road and Bridge Fund, Cemetery One Fund, Cemetery Two Fund, Fire One Fund, and Fire Two Fund. Also, contrary to Ohio Law, budgetary expenditures exceeded appropriations in the Cemetery Two Fund, Fire One Fund, and Fire Two Fund.

4. PROPERTY TAX

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

**MARION TOWNSHIP
PIKE COUNTY**

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

4. PROPERTY TAX (Continued)

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.

5. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

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

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

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

Marion Township
Pike County
676 SR 335
P.O. Box 45
Stockdale, Ohio 45683

To the Board of Trustees:

We have audited the accompanying financial statements of Marion Township, Pike County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 17, 2002, wherein we qualified our opinion for improper allocation of interest revenue. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-40766-001 through 2001-40766-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 17, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 17, 2002.

Marion Township
Pike County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and "P".

Jim Petro
Auditor of State

June 17, 2002

**MARION TOWNSHIP
PIKE COUNTY**

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

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

FINDING NUMBER 2001-40766-001

Ohio Rev. Code § 5705.39 states that total appropriations from each fund should not exceed the total estimated resources.

In 2001, appropriations exceeded estimated resources in the following funds: General Fund by \$1,983 (5%), Motor Vehicle License Tax Fund by \$386 (5%), Road and Bridge Fund by \$1,258 (15%), Cemetery One Fund by \$403 (4%), Cemetery Two Fund by \$1,000 (17%), Fire One Fund by \$7,470 (415%), Fire Two Fund by \$243 (1%). In 2000, appropriations exceeded estimated resources in the following funds: General Fund by \$2,437 (7%), Motor Vehicle License Tax Fund by \$215 (3%), Road and Bridge Fund by \$1,254 (14.5%), Cemetery One Fund by \$1325 (12%), Cemetery Two Fund by \$390 (11%), Fire Two Fund by \$1,331 (8%). This could result in the obligation of funds for which the Township would not be able to pay the bill.

We recommend that appropriations for each fund only be approved by the Board of Trustees for an amount not exceeding the amount of the estimated resources for that fund.

FINDING NUMBER 2001-40766-002

Ohio Rev. Code §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 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 can authorize the drawing of a warrant. 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 the subdivision or taxing district.

Amounts of less than \$1,000 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 of expenditures by the taxing authority.

Fifty-eight percent (58%) of liabilities, contracts, and open purchase commitments greater than \$1,000 were not certified by the Township Clerk and were not encumbered until the time of payment. These commitments were not subsequently approved by the Board of Trustees within the aforementioned 30 day time period.

We recommend the Township Clerk certify the availability of funds prior to incurring any obligations or use then and now certificates.

**MARION TOWNSHIP
PIKE COUNTY**

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

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

FINDING NUMBER 2001-40766-003

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

Budgetary expenditures exceeded appropriations in the Fire One Fund in the amount of \$966 (13%) at December 31, 2001. Budgetary expenditures exceeded appropriations in the Fire Two Fund in the amount of \$336 (2%) and Cemetery Two Fund in the amount of \$2,698 (70%) at December 31, 2000.

Budgetary expenditures exceeded legal level of appropriations in the General Fund PERS line item by \$1,136 (40%), Motor Vehicle Fund Contract Service line item by \$3,324 (170%), and Road and Bridge Fund Contract Service line item by \$2,854 (68%) at December 31, 2001. Budgetary expenditures exceeded legal level of appropriations in the General Fund Election Expense line item by \$386 (40%), General Fund Other Insurance line-item by \$1,685 (48%), and the Road and Bridge Fund Operating Supplies line item by \$2,119 (49%) at December 31, 2000.

We recommend that the Township monitor budgetary expenditures (disbursements and encumbrances) and compare them to Board of Trustees approved appropriations to ensure that they do not exceed appropriations. The Board of Trustees should amend the appropriations when necessary and appropriate to avoid such violations from occurring. The Board of Trustee's approval of the amended appropriations should be in the form of a resolution documented in the minute record.

FINDING NUMBER 2001-40766-004

Ohio Const. Art. XII, Section 5a, and 1982 Op. Atty. Gen. No 82-031 require that interest earned on money derived from a Motor Vehicle License or Fuel Tax shall be paid into the fund to which the principal belongs.

The Township did not distribute the required interest to the Motor Vehicle License Tax (MVL) and Gasoline Tax Funds for the years 2000 and 2001. All of the interest earned by the Township was credited to the General Fund. Therefore, we issued a finding for adjustment against the General Fund in the amount of \$895 in favor of the MVL Fund (\$36) and the Gas Tax Fund (\$859).

We recommend the Township Clerk make the distribution of interest earned to the required funds.

**MARION TOWNSHIP
PIKE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-40766-001	Appropriations exceeded Estimated Resources	No	Not Corrected; reissued as Finding Number 2001-40766-001.
1999-40766-002	Estimated Receipts Exceeded Actual Receipts	No	Not Corrected; reissued in Management Letter.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

MARION TOWNSHIP

PIKE 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
JULY 23, 2002**