

Marion Township

Marion County, Ohio

Regular Audit

For the Years Ended December 31, 2003 and 2002

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, 2002 through December 31, 2003. 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, Marion County is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

November 9, 2004

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Marion Township
Marion County, Ohio
For the Years Ended December 31, 2003 and 2002
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Member American Institute of Certified Public Accountants

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Marion Township, Marion County, Ohio, (the Township) as of and for the years ended December 31, 2003 and 2002. 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 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

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 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 combined fund cash balances of Marion Township, Marion County, Ohio, as of December 31, 2003 and 2002, 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 October 29, 2004, 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 the audits.

This report is intended solely for the information and use of management, 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.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

October 29, 2004

Marion Township
Marion County, Ohio

Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2003

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$136,462	\$1,687,367	\$1,823,829
Intergovernmental	279,848	191,668	471,516
Licenses, Permits, and Fees	8,136	0	8,136
Earnings on Investments	9,581	102	9,683
Other Revenue	<u>165,503</u>	<u>51,262</u>	<u>216,765</u>
 Total Cash Receipts	 <u>599,530</u>	 <u>1,930,399</u>	 <u>2,529,929</u>
 Cash Disbursements:			
Current:			
General Government	412,137	0	412,137
Public Safety	186	1,899,036	1,899,222
Public Works	46,002	34,039	80,041
Health	50,126	0	50,126
Debt Service:			
Redemption of Principal	2,867	0	2,867
Capital Outlay	<u>225</u>	<u>22,099</u>	<u>22,324</u>
 Total Cash Disbursements	 <u>511,543</u>	 <u>1,955,174</u>	 <u>2,466,717</u>
 Total Receipts Over/(Under) Disbursements	 <u>87,987</u>	 <u>(24,775)</u>	 <u>63,212</u>
 Fund Cash Balances, January 1	 <u>1,158,079</u>	 <u>274,893</u>	 <u>1,432,972</u>
 Fund Cash Balances, December 31	 <u>\$1,246,066</u>	 <u>\$250,118</u>	 <u>\$1,496,184</u>

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

Marion Township
Marion County, Ohio

Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2002

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$146,286	\$1,802,679	\$1,948,965
Intergovernmental	334,154	126,276	460,430
Licenses, Permits, and Fees	9,025	0	9,025
Earnings on Investments	11,707	202	11,909
Other Revenue	<u>181,431</u>	<u>54,533</u>	<u>235,964</u>
 Total Cash Receipts	 <u>682,603</u>	 <u>1,983,690</u>	 <u>2,666,293</u>
 Cash Disbursements:			
Current:			
General Government	391,030	0	391,030
Public Safety	23,302	1,800,774	1,824,076
Public Works	49,971	64,348	114,319
Health	84,431	0	84,431
Debt Service:			
Redemption of Principal	2,867	0	2,867
Capital Outlay	<u>0</u>	<u>53,623</u>	<u>53,623</u>
Total Cash Disbursements	<u>551,601</u>	<u>1,918,745</u>	<u>2,470,346</u>
 Total Receipts Over/(Under) Disbursements	 <u>131,002</u>	 <u>64,945</u>	 <u>195,947</u>
 Fund Cash Balances, January 1	 <u>1,027,077</u>	 <u>209,948</u>	 <u>1,237,025</u>
 Fund Cash Balances, December 31	 <u><u>\$1,158,079</u></u>	 <u><u>\$274,893</u></u>	 <u><u>\$1,432,972</u></u>

Marion Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Marion Township, Marion County, Ohio (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 general governmental services, including road and bridge maintenance, cemetery maintenance, and fire protection and emergency medical 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 and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

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 Funds:

Motor Vehicle License Tax Fund-This fund receives motor vehicle tax money for constructing, maintaining, and repairing Township roads.

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

Fire District Fund – This fund receives property tax and intergovernmental money 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, 2003 and 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and 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 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. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Deposits	\$1,321,184	\$1,257,972
Certificates of deposit	175,000	175,000
Total deposits and investments	\$1,496,184	\$1,432,972

Marion Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution for its public deposits.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$476,013	\$599,530	\$123,517
Special Revenue	1,867,565	1,930,399	62,834
Total	<u>\$2,343,578</u>	<u>\$2,529,929</u>	<u>\$186,351</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,634,092	\$511,543	\$1,122,549
Special Revenue	2,142,458	1,955,174	187,284
Total	<u>\$3,776,550</u>	<u>\$2,466,717</u>	<u>\$1,309,833</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$453,014	\$682,603	\$229,589
Special Revenue	1,864,456	1,983,690	119,234
Total	<u>\$2,317,470</u>	<u>\$2,666,293</u>	<u>\$348,823</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,480,091	\$551,601	\$928,490
Special Revenue	2,074,403	1,918,745	155,658
Total	<u>\$3,554,494</u>	<u>\$2,470,346</u>	<u>\$1,084,148</u>

Marion Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, the first half is due December 31. The second half payment is due the following June 20.

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. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$41,567	0%

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

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

	Ohio Public Works Commission Loan
Year ending December 31:	
2004	\$2,867
2005	2,867
2006	2,867
2007	2,867
2008	2,867
2009-2013	14,335
2014-2018	12,897
Total	\$41,567

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code

The Township's 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 post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Marion Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

6. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Commercial Insurance:

The Township has 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.

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

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

We have audited the accompanying financial statements of Marion Township, Marion County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated October 29, 2004. 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.

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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that have been reported to management of the Township in a separate letter dated October 29, 2004.

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 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 over financial reporting, which we have reported to the management of the Township in a separate letter dated October 29, 2004.

Marion County
Marion Township
Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit Performed in Accordance with *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.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

October 29, 2004

**MARION TOWNSHIP
MARION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

FINDING NUMBER 2003-001

Prior Certification of Expenditures

Ohio Rev. Code Section 5705.41(D) stipulates 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. This section also provides two exceptions to the above requirements:

A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Township may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

B. If the amount involved is less than three thousand dollars (effective April 7, 2003), the fiscal officer may authorize it to be paid without affirmation of the Board.

The Township failed to certify funds prior to the commitment of funds for 96% of the expenditures tested in 2002 and all of the expenditures tested in 2003. By not certifying that the funds have been appropriated and are available for expenditure, the Township's actual expenditures may exceed the available resources.

All disbursements should be certified by the Township Clerk prior to commitment to ensure funds are or will be available.

**MARION TOWNSHIP
MARION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-40651-001	Finding for Recovery, Failure to prepare and monitor cash reconciliations.	Yes	
2001-40651-002	Ohio Revised Code Section 5705.41 (D), failure to certify funds.	No	Not Corrected. This citation is being reissued as finding number 2003-001.
2001-40651-003	Monitoring Budget and Actual Receipts	Yes	



**Auditor of State
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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
NOVEMBER 23, 2004**