



Dave Yost • Auditor of State



MARION TOWNSHIP  
NOBLE COUNTY

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# Dave Yost • Auditor of State

Marion Township  
Noble County  
26655 Woodsfield Rd.  
Summerfield, Ohio 43788

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 an 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 adverse 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 black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

September 25, 2012

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# Dave Yost • Auditor of State

Marion Township  
Noble County  
26655 Woodsfield Rd.  
Summerfield, Ohio 43788

To the Board of Trustees:

We have audited the accompanying financial statements of Marion Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010. 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Township's larger (i.e., major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2011 and 2010 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, 2011 and 2010, or its changes in financial position for the years then ended.

During a prior audit for the period January 1, 2008 through December 31, 2009, the Township improperly paid salaries during 2009 for Trustees from the Gasoline Tax Fund, in the amount of \$1,327, that should have been paid from the General Fund. The Township declined to make this adjustment.

During 2010, the Township did not allocate the Trustees' salaries and corresponding benefits to the General Fund for time spent performing administrative duties, such as attendance at monthly board meetings. The amount that should have been paid out of the General Fund for Trustees' salaries and corresponding benefits was \$1,759. The Township declined to make this adjustment.

During 2011, the Township did not allocate the Trustees' salaries and corresponding benefits to the General Fund for time spent performing administrative duties, such as attendance at monthly board meetings. The amount that should have been paid out of the General Fund for Trustees' salaries and corresponding benefits was \$1,812. The Township declined to make this adjustment.

Also, in our opinion, because of the effects of the matters discussed in the preceding three paragraphs, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances of Marion Township, Noble County, Ohio, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 Marion Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The accompanying financial statements have been prepared assuming the Township will continue as a going concern. If the Township made the aforementioned adjustments, the result would be to reduce the cash fund balance in the General Fund at December 31, 2011 to a relatively low balance. This could lead to the Township being considered for Fiscal Caution. As discussed in Note 9, management's plans regarding the aforementioned adjustments are disclosed.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2012, 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.



**Dave Yost**  
Auditor of State

September 25, 2012

**MARION TOWNSHIP  
NOBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 16,715	\$ 37,919	\$	\$ 54,634
Intergovernmental	7,674	98,376		106,050
Earnings on Investments	57	91		148
Total Cash Receipts	<u>24,446</u>	<u>136,386</u>	<u>0</u>	<u>160,832</u>
<b>Cash Disbursements</b>				
Current:				
General Government	23,109			23,109
Public Safety		18,213		18,213
Public Works	2	132,313		132,315
Capital Outlay	3			3
Debt Service:				
Principal Retirement		10,366		10,366
Interest and Fiscal Charges		1,074		1,074
Total Cash Disbursements	<u>23,114</u>	<u>161,966</u>	<u>0</u>	<u>185,080</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	<u>1,332</u>	<u>(25,580)</u>	<u>0</u>	<u>(24,248)</u>
Fund Cash Balances, January 1	<u>4,448</u>	<u>71,900</u>	<u>5,461</u>	<u>81,809</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable			4,520	4,520
Restricted		46,320	941	47,261
Unassigned (Deficit)	5,780			5,780
Fund Cash Balances, December 31	<u>\$ 5,780</u>	<u>\$ 46,320</u>	<u>\$ 5,461</u>	<u>\$ 57,561</u>

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

**MARION TOWNSHIP  
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Governmental Fund Types</b>			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 16,920	\$ 38,385	\$	\$ 55,305
Intergovernmental	8,319	101,918		110,237
Earnings on Investments	52	158		210
Miscellaneous	31			31
<b>Total Cash Receipts</b>	<b>25,322</b>	<b>140,461</b>	<b>0</b>	<b>165,783</b>
<b>Cash Disbursements</b>				
Current:				
General Government	23,214			23,214
Public Safety		17,266		17,266
Public Works		92,764		92,764
Health	660			660
Capital Outlay		19,954		19,954
Debt Service:				
Principal Retirement		8,753		8,753
Interest and Fiscal Charges		1,300		1,300
<b>Total Cash Disbursements</b>	<b>23,874</b>	<b>140,037</b>	<b>0</b>	<b>163,911</b>
Excess of Cash Receipts Over/(Under) Cash Disbursements	1,448	424	0	1,872
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds		19,954		19,954
<b>Total Other Financing Receipts (Disbursements)</b>	<b>0</b>	<b>19,954</b>	<b>0</b>	<b>19,954</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,448	20,378	0	21,826
Fund Cash Balances, January 1	3,000	51,522	5,461	59,983
<b>Fund Cash Balances, December 31</b>	<b>\$ 4,448</b>	<b>\$ 71,900</b>	<b>\$5,461</b>	<b>\$ 81,809</b>

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

**MARION TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**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 the Marion Township, Noble 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, and fire protection. The Township contracts with the Village of Summerfield to provide fire services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis 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. Deposits**

The Township had one primary, interest bearing checking account during the audit period and certificates of deposits which are valued at cost.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash that is 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 private-purpose 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 for constructing, maintaining, and repairing Township roads.

**MARION TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**3. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

Private-Purpose Trust Cemetery Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**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 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 2011 and 2010 budgetary activity appears in Note 4.

**MARION TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**MARION TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**G. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**2. Change in Accounting Principle**

For fiscal year 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

**3. Equity in Pooled Deposits**

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

	2011	2010
Demand deposits	\$53,041	\$77,289
Certificates of deposit	4,520	4,520
Total deposits	\$57,561	\$81,809

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

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,958	\$24,446	\$488
Special Revenue	138,290	136,386	(1,904)
Permanent	0	0	0
Total	\$162,248	\$160,832	(\$1,416)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$20,243	\$23,114	(\$2,871)
Special Revenue	209,823	161,966	47,857
Permanent	0	0	0
Total	\$230,066	\$185,080	\$44,986

**MARION TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**4. Budgetary Activity (Continued)**

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$22,930	\$25,322	\$2,392
Special Revenue	134,325	160,415	26,090
Permanent	0	0	0
Total	\$157,255	\$185,737	\$28,482

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$25,765	\$23,874	\$1,891
Special Revenue	181,479	140,037	41,442
Permanent	0	0	0
Total	\$207,244	\$163,911	\$43,333

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$2,871 for the year ended December 31, 2011.

**5. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax 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.

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.

**6. Debt**

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Commercial Security Agreement (Tractor)	\$4,316	5.23%
Commercial Security Agreement (Truck)	11,774	4.75%
Total	\$16,090	

The Township issued commercial security agreements to finance the purchases of a Massey Ferguson tractor, a bush hog and a Chevrolet dump truck for Township road maintenance. The Township's taxing authority collateralized the agreements.

**MARION TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**6. Debt (Continued)**

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

Year ending December 31:	Commercial Security Agreement (Tractor)	Commercial Security Agreement (Truck)
2012	\$4,419	\$5,548
2013		5,548
2014		1,387
Total	\$4,419	\$12,483

**7. Retirement System**

The Township's employees and officials 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 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**8. Risk Management**

Prior to 2009, the Township belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Township participates in this coverage.

**MARION TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**8. Risk Management (Continued)**

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Township does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan. Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**9. Financial Difficulties**

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

Fund	12/31/11 Balance	Adjustments Not Made	Effect on 12/31/11 Balance
General	\$5,780	(\$4,898)	\$882
Special Revenue	\$46,320	\$4,898	\$51,218

The Township has no formal plans for increasing the revenue stream of the General Fund but is monitoring all expenditures of the General Fund. The adjustments not made in the Special Revenue Fund type affects only the Gasoline Tax Fund.

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# Dave Yost • Auditor of State

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

Marion Township  
Noble County  
26655 Woodsfield Rd.  
Summerfield, Ohio 43788

To the Board of Trustees:

We have audited the financial statements of Marion Township, Noble County Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated September 25, 2012, wherein we expressed an adverse opinion on the 2011 and 2010 regulatory financial statements because Township Trustee salaries were charged to Special Revenue Funds that statute requires be charged to the General Fund. We also noted the Township is experiencing financial difficulties and followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. The Township also adopted Governmental Accounting Standards Board Statement No. 54 for 2011. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider Findings 2011-01 and 2011-05 through 2011-06 described in the accompanying Schedule of Findings to be material weaknesses.

### **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 2011-01 through 2011-04.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 25, 2012.

We intend this report solely for the information and use of management, the Board of Trustees and others within the Township. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

September 25, 2012

**MARION TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-01**

**Finding for Adjustment/Material Weakness/Noncompliance Citation**

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This Section is amplified by Ohio Attorney General (OAG) Opinion No. 2004-036. This Section requires that compensation of a township trustee must be paid from the Township General Fund or from such other township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion No. 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. There is no one method for documenting time and the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

As of September 29, 2011, Ohio Rev. Code Section 505.24(C) was amended to require in part that whenever members of a board of township trustees are compensated per diem and not by annual salary, the board shall establish, by resolution, a method by which each member of the board shall periodically notify the township fiscal officer of the number of days spent in the service of the township and the kinds of services rendered on those days.

By unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

During the prior audit period January 1, 2008 to December 31, 2009, the Township's financial records reflected the Trustees' salaries paid entirely from the Gasoline Tax Fund. As part of their administrative duties, the Trustees attended board meetings throughout the year. The Trustees' timesheets however, did not reflect all board meetings attended during the year as a part of their administrative duties. Trustee compensation for administrative duties such as attendance at board meetings, should be paid out of the General Fund. The amount that should have been paid out of the General Fund for these administrative duties was \$1,327 for 2009.

The Board of Trustees established administrative procedures and prepared documentation for how they spent their time and the type of services performed, however, the amounts allocated to these funds did not agree to this documentation. For the audit period January 1, 2010 to December 31, 2011, the Fiscal Officer did not allocate the Board of Trustee salaries and corresponding benefits to the General Fund for time spent performing administrative duties, such as attendance at monthly board meetings, in the amount of \$1,759 for 2010 and \$1,812 for 2011. The Trustees were paid entirely from the Gasoline Tax Fund in 2011 and 2010.

A finding for adjustment is hereby issued against the Marion Township General Fund, in the amount of \$4,898, and in favor of the Marion Township Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$4,898.

**MARION TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**FINDING NUMBER 2011-01 (Continued)**

**Finding for Adjustment/Material Weakness/Noncompliance Citation - Ohio Rev. Code Section 505.24(C) (Continued)**

The Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements. Part of the adjustment was carried forward from the prior audit of the 2008 and 2009 financial statements.

**FINDING NUMBER 2011-02**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.38(A) states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

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

For 2011, a temporary appropriation resolution was approved in the minutes on January 9, 2011; however, no detail was listed in the minutes. The permanent appropriation resolution was approved in the minutes on March 13, 2011, and was not filed with the County Auditor until December 28, 2011.

For 2010, no temporary appropriations were approved by the Trustees and the permanent appropriation resolution was not approved in the minutes until March 14, 2010, and it was filed with the County Auditor on March 15, 2010. During 2010, the Township wrote checks on January 10, 2010, and February 14, 2010, which totaled \$3,668 and \$10,193, respectively, without the benefit of a permanent appropriation measure being approved; therefore, expenditures exceeded appropriations on January 10, 2010, and February 14, 2010.

We recommend the Board of Trustees ensure its annual appropriation resolution is passed in a timely manner and file such appropriations with the County Auditor. If the Board of Trustees passes a temporary appropriation measure, the measure should provide detail such as fund, function and amount. Also, the Fiscal Officer should deny requests for payments when appropriations are not available.

**FINDING NUMBER 2011-03**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

**MARION TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**FINDING NUMBER 2011-03 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)**

At December 31, 2011, the General Fund had expenditures in excess of appropriations in the amount of \$2,871.

We also noted the following funds/line items were found to have expenditures in excess of appropriations at the legal level of control at December 31:

Fiscal Year	Fund/Line Item	Appropriation Authority	Budgetary Expenditures	Variance
2011	1000-110-121	\$9,200	\$9,903	(\$703)
	1000-110-211	1,266	1,540	(274)
	1000-110-221	5,215	6,461	(1,246)
	1000-110-330	635	660	(25)
	1000-110-599	1,085	1,807	(722)

Fiscal Year	Fund/Line Item	Appropriation Authority	Budgetary Expenditures	Variance
2010	1000-110-211	\$1,300	\$1,562	(\$262)
	1000-110-314	1,500	1,632	(132)
	1000-410-190	1	660	(659)

We recommend the Fiscal Officer monitor budgetary expenditures and appropriations and ensure that the total expenditures from each fund shall not exceed the total appropriations.

**FINDING NUMBER 2011-04**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment 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. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**MARION TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-04 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 100 percent of the expenditures tested in 2011 and 2010, and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Township Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied.

**MARION TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-05**

**Material Weakness**

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2011, estimated receipts as certified by the County Budget Commission did not agree to the Township's ledgers or the budgetary statements for the following fund:

Fund	Estimated Receipts per County Budget Commission	Estimated Receipts per Township's Accounting System	Variance
General	\$23,710	\$23,958	(\$248)

At December 31, 2011, appropriations as approved by the Township Trustees did not agree to the Township's ledgers or the budgetary statements for the following fund:

Fund	Appropriations per Board of Trustees	Appropriations per Township's Accounting System	Variance
General	\$20,243	\$28,242	(\$7,999)

At December 31, 2011, appropriations as approved by the Township Trustees did not agree to the Township's ledgers at the legal level of control for the following line items:

Line Item Account	Appropriations per Board of Trustees	Appropriations per Township's Accounting System	Variance
1000-110-121	\$9,200	\$10,100	(\$900)
1000-110-211	1,266	1,541	(275)
1000-110-221	5,215	7,715	(2,500)
1000-110-314	789	1,039	(250)
1000-110-330	635	660	(25)
1000-110-599	1,085	5,133	(4,048)

**MARION TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**FINDING NUMBER 2011-05 (Continued)**

**Material Weakness (Continued)**

At December 31, 2010, appropriations as approved by the Township Trustees did not agree to the Township's ledgers at the legal level of control for the following line items:

Line Item Account	Appropriations per Board of Trustees	Appropriations per Township's Accounting System	Variance
1000-110-211	\$1,300	\$1,599	\$(299)
1000-110-314	1,500	1,905	(405)
1000-410-190	1	751	(750)

Without information properly entered into the system, the management of the Township lost some degree of budgetary control. This also resulted in audit adjustments to the budgetary note disclosure.

We recommend the Fiscal Officer accurately post appropriations as approved by the Board of Trustees and estimated receipts as approved by the County Budget Commission into the computer system. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

**FINDING NUMBER 2011-06**

**Material Weakness**

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Board of Trustees issued a \$19,955 commercial security agreement during 2010 for the purpose of purchasing a truck. The Fiscal Officer neither posted the debt proceeds and the expenditure for the agreement to its books nor did the Township request an amended certificate or increase appropriations. As a result, receipts and disbursements were understated on the Township's books and basic financial statements for 2010. An adjustment, with which the Board of Trustees' agrees, has been posted to the Township's books and are reflected in the accompanying financial statements.

We recommend the Fiscal Officer record all debt proceeds and the corresponding expenditures in the Township's books. We further recommend the Township budget for the debt proceeds accordingly.

**Officials' Response:** The officials chose not to respond to the findings noted above.

**MARION TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D)(1) for 87% of expenditures tested in 2009 and 85% of expenditures tested in 2008 not being properly encumbered.	No	Reissued in Report as item 2011-04.
2009-002	A finding for adjustment and material weakness was issued under Ohio Rev. Code Section 505.24(C) for the Trustees' salaries being paid 100% out of the Gasoline Tax Fund instead of \$1,327 being paid out of the General Fund for administrative duties.	No	Reissued in Report as item 2011-01.
2009-003	A material noncompliance citation and material weakness was issued under Ohio Rev. Code Section 5705.40 for the supplemental appropriations not being approved by the Board of Trustees and for the appropriations approved by the Trustees not agreeing to the amounts posted to the Township's UAN system.	No	Reissued in Report as item 2011-05.
2009-004	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations during 2009 and 2008.	No	Reissued in Report as item 2011-03.
2009-005	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.38(A) for the Township not adopting a permanent appropriation resolution for 2009 until February 8, 2009 without a temporary resolution and for the Township not adopting a permanent appropriation resolution for 2008 until February 10, 2008, without a temporary resolution, which caused expenditures to exceed appropriations from January 1 in each year until the permanent resolution was adopted.	No	Reissued in Report as item 2011-02.

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# Dave Yost • Auditor of State

**MARION TOWNSHIP**

**NOBLE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 11, 2012**