



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



MARION TOWNSHIP  
MERCER COUNTY

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Marion Township  
Mercer County  
P.O. Box 56  
Maria Stein, OH 45860

To the Board of Trustees:

We have audited the accompanying financial statements of Marion Township, Mercer County (the Township), as of and for the years ended December 31, 2001 and December 31, 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.

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 the Township as of December 31, 2001 and December 31, 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 6, 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.

This report is intended solely for the information and use of the 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 6, 2002

**MARION TOWNSHIP  
MERCER 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**

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>					
Local Taxes	\$8,655	\$177,929			\$186,584
Intergovernmental	152,966	97,773		52,374	303,113
Special Assessments		8,025			8,025
Earnings on Investments	4,380	1,003			5,383
Other Revenue	16,756				16,756
	<u>182,757</u>	<u>284,730</u>		<u>52,374</u>	<u>519,861</u>
Total Cash Receipts					
<b>Cash Disbursements:</b>					
Current:					
General Government	89,858	1,937			91,795
Public Safety		98,529			98,529
Public Works		192,796			192,796
Health	7,845				7,845
Conservation - Recreation	16,154				16,154
Debt Service:					
Redemption of Principal		17,729			17,729
Interest and Fiscal Charges		1,594			1,594
Capital Outlay	8,325			56,490	64,815
	<u>122,182</u>	<u>312,585</u>		<u>56,490</u>	<u>491,257</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>60,575</u>	<u>(27,855)</u>		<u>(4,116)</u>	<u>28,604</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Fixed Assets		4,000			4,000
Transfers-In		20,000	15,900	4,116	40,016
Transfers-Out	(40,016)				(40,016)
	<u>(40,016)</u>	<u>24,000</u>	<u>15,900</u>	<u>4,116</u>	<u>4,000</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	20,559	(3,855)	15,900		32,604
Fund Cash Balances, January 1	<u>27,834</u>	<u>74,239</u>	<u>1,168</u>	<u>3,625</u>	<u>106,866</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$48,393</u></u>	<u><u>\$70,384</u></u>	<u><u>\$17,068</u></u>	<u><u>\$3,625</u></u>	<u><u>\$139,470</u></u>

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

**MARION TOWNSHIP  
MERCER 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>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$8,472	\$174,208			\$182,680
Intergovernmental	113,400	96,757			210,157
Special Assessments		7,185			7,185
Earnings on Investments	6,721	2,019			8,740
Other Revenue	2,709	641			3,350
	<hr/>	<hr/>			<hr/>
Total Cash Receipts	131,302	280,810			412,112
<b>Cash Disbursements:</b>					
Current:					
General Government	74,125	1,500			75,625
Public Safety		96,842			96,842
Public Works		178,413			178,413
Health	18,129				18,129
Conservation - Recreation	9,351				9,351
Debt Service:					
Redemption of Principal			16,458		16,458
Interest and Fiscal Charges			2,864		2,864
Capital Outlay	41,934				41,934
	<hr/>	<hr/>	<hr/>		<hr/>
Total Cash Disbursements	143,539	276,755	19,322		439,616
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>		<hr/>
	(12,237)	4,055	(19,322)		(27,504)
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Fixed Assets		12,000			12,000
Transfers-In			14,000		14,000
Transfers-Out	(14,000)				(14,000)
	<hr/>	<hr/>	<hr/>		<hr/>
Total Other Financing Receipts/(Disbursements)	(14,000)	12,000	14,000		12,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>		<hr/>
	(26,237)	16,055	(5,322)		(15,504)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	54,071	58,184	6,490	3,625	122,370
<b>Fund Cash Balances, December 31</b>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$27,834</u>	<u>\$74,239</u>	<u>\$1,168</u>	<u>\$3,625</u>	<u>\$106,866</u>

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



**MARION TOWNSHIP  
MERCER COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Marion Township, Mercer 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, fire protection and emergency medical services. The Township contracts with the Osgood Community Fire Department, North Star Community Fire Department, and Chickasaw Community Fire Department to provide fire services and Mercer County and Osgood Rescue Squad to provide ambulance services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting 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 reported as assets. 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.

Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

**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:

**MARION TOWNSHIP  
MERCER COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Special Revenue Funds (Continued)**

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

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

*Fire Special Levy* – This fund receives tax levy monies to pay for fire services.

**3. Debt Service Funds**

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

*Lease Retirement Fund* – This fund receives tax levy monies and transfers from the General Fund and is used to make payments on the lease/purchase of a new township truck.

**4. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Funds:

*Issue II Fund* - The Township received a grant from the State of Ohio to replace the Stelzer Road Culvert.

*Permanent Improvement Fund* – The Township received a grant from Mercer County Community Development for curbs and sidewalks.

**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.

**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.

**MARION TOWNSHIP  
MERCER COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 use the encumbrance method of accounting properly. The budgetary presentations have been adjusted to include material items that should have been encumbered.

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 AND INVESTMENTS**

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

	2001	2000
Demand deposits	\$47,213	\$18,062
Total deposits	47,213	18,062
STAR Ohio		
Total investment	92,257	88,804
Total deposits and investment	\$139,470	\$106,866

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township,.

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

**3. BUDGETARY ACTIVITY**

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

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$207,251	\$182,757	(\$24,494)
Special Revenue	303,900	308,730	4,830
Debt Service	35,223	15,900	(19,323)
Capital Projects	34,914	56,490	21,576
Total	\$581,288	\$563,877	(\$17,411)

**MARION TOWNSHIP  
MERCER COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$182,626	\$162,198	\$20,428
Special Revenue	371,318	312,585	58,733
Debt Service	19,323		19,323
Capital Projects	38,538	56,490	(17,952)
Total	\$611,805	\$531,273	\$80,532

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$110,316	\$131,302	\$20,986
Special Revenue	290,143	292,810	2,667
Debt Service	9,000	14,000	5,000
Total	\$409,459	\$438,112	\$28,653

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$164,387	\$157,539	\$6,848
Special Revenue	344,327	276,755	67,572
Debt Service	15,590	19,322	(3,732)
Capital Projects	3,625		3,625
Total	\$527,929	\$453,616	\$74,313

Contrary to Ohio law, appropriations exceeded total estimated revenues in the Debt Service Fund during 2000, and budgetary expenditures exceeded appropriations in the Capital Project Fund by \$17,952 during 2001 and the Debt Service Fund by \$3,732 during 2000.

**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.

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

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

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

**MARION TOWNSHIP  
MERCER COUNTY**

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

**5. CAPITAL LEASE OBLIGATION**

The Capital lease obligation outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Capital Lease Obligation	\$17,146	6.6%

The capital lease was initiated June 2000 to obtain a 2000 Sterling L7501 Truck and was for a period of 36 months. The outstanding lease obligation is payable in equal monthly installments of \$1,610. The annual requirement to pay the lease balance outstanding, including interest, is scheduled as follows:

	<u>Capital Lease Obligation</u>
Year ending December 31: 2002	<u><u>\$17,713</u></u>

**6. RETIREMENT SYSTEMS**

The Township 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, members of PERS 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.

**7. RISK POOL MEMBERSHIP**

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**MARION TOWNSHIP  
MERCER COUNTY**

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

**7. RISK POOL MEMBERSHIP (Continued)**

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

Financial Position

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

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
 <u>Property Coverage</u>	 <u>2001</u>	 <u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

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

Marion Township  
Mercer County  
P.O. Box 56  
Maria Stein, OH 45860

To the Board of Trustees:

We have audited the accompanying financial statements of Marion Township, Mercer County (the Township), as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated June 6, 2002. 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 2001-40254-001 to 2001-40254-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 6, 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 6, 2002.

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

This report is intended for the information and use of the 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, looping initial "J" and a horizontal line extending to the right.

**Jim Petro**  
Auditor of State

June 6, 2002



**MARION TOWNSHIP  
MERCER 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 2001-40254-001**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.10** requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

During 2000, \$2,818 of the Gasoline Tax receipts was credited to the General Fund rather than the Gasoline Tax Fund. The Township has agreed to and posted the adjustment and the adjustment is reflected in the accompanying financial statements.

The Township should monitor the receipt and expenditure of monies into various funds and refer to the Township chart of accounts when there is a question of appropriate fund or account coding.

**FINDING NUMBER 2001-40254-002**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.39** states that the total appropriation from each fund should not exceed the total estimated revenue and that no appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

During 2000, the appropriations exceeded the total estimated resources in the Debt Service Fund by \$5,000.

The Township should monitor estimated resources and the appropriation resolutions to determine that appropriations do not exceed estimated resources. The Township should obtain a certificate from the County Auditor stating that the total appropriations do not exceed the total estimated resources whenever an amendment is made to the original appropriation measure.

**FINDING NUMBER 2001-40254-003**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41 (B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township had expenditures and commitments that exceeded appropriations in the Capital Projects Fund by \$17,952 during 2001 and the Debt Fund by \$3,732 during 2000.

The Township should implement procedures to help ensure that funds are properly appropriated to prevent possible deficit spending and to avoid noncompliance with this Ohio Revised Code Section.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

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**MARION TOWNSHIP**

**MERCER 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  
AUGUST 20, 2002**