



Dave Yost • Auditor of State

MARION TOWNSHIP
HARDIN COUNTY

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Dave Yost • Auditor of State

Marion Township
Hardin County
8315 State Route 195
Alger, Ohio 45812

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.

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Dave Yost
Auditor of State

September 11, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Marion Township
Hardin County
8315 State Route 195
Alger, Ohio 45812

To the Board of Trustees:

We have audited the accompanying financial statements of Marion Township, Hardin County, (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 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 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.

Also, in our opinion, the financial statements referred to above do present fairly, in all material respects, the combined fund cash balances 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 1, during 2011 Marion Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As described in Note 8, the December 31, 2009 fund balances have been restated.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 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 11, 2012

**MARION TOWNSHIP
HARDIN COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$30,462	\$51,674	\$82,136
Licenses, Permits and Fees		26,532	26,532
Intergovernmental	54,709	102,467	157,176
Earnings on Investments	559	374	933
Miscellaneous	10	13,963	13,973
Total Cash Receipts	<u>85,740</u>	<u>195,010</u>	<u>280,750</u>
Cash Disbursements:			
Current:			
General Government	52,248		52,248
Public Safety	1,681	1,326	3,007
Public Works		56,972	56,972
Health	9,676	33,534	43,210
Capital Outlay		55,586	55,586
Total Cash Disbursements	<u>63,605</u>	<u>147,418</u>	<u>211,023</u>
Excess of Receipts Over (Under) Disbursements	<u>22,135</u>	<u>47,592</u>	<u>69,727</u>
Fund Cash Balances, January 1	<u>65,410</u>	<u>339,725</u>	<u>405,135</u>
Fund Cash Balances, December 31:			
Restricted		387,317	387,317
Unassigned (Deficit)	87,545		87,545
Fund Cash Balances, December 31	<u>\$87,545</u>	<u>\$387,317</u>	<u>\$474,862</u>

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

**MARION TOWNSHIP
HARDIN COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$27,209	\$45,892	\$73,101
Licenses, Permits, and Fees		27,538	27,538
Intergovernmental	25,337	104,401	129,738
Earnings on Investments	528	325	853
Miscellaneous		22,410	22,410
Total Cash Receipts	<u>53,074</u>	<u>200,566</u>	<u>253,640</u>
Cash Disbursements:			
Current:			
General Government	58,281		58,281
Public Safety	1,134	1,138	2,272
Public Works		49,013	49,013
Health	9,502	31,858	41,360
Capital Outlay		101,453	101,453
Total Cash Disbursements	<u>68,917</u>	<u>183,462</u>	<u>252,379</u>
Total Receipts Over/(Under) Disbursements	<u>(15,843)</u>	<u>17,104</u>	<u>1,261</u>
Fund Cash Balances, January 1 (Restated Note 8)	<u>81,253</u>	<u>322,621</u>	<u>403,874</u>
Fund Cash Balances, December 31	<u>\$65,410</u>	<u>\$339,725</u>	<u>\$405,135</u>

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

**MARION TOWNSHIP
HARDIN 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 Marion Township, Hardin 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 and cemetery maintenance. The Township contracts with the Alger Fire Association and the McGuffey Fire Department to provide fire services.

The Township participates in two jointly governed organizations and the Ohio Township Association Risk Management Authority public entity risk pool. Notes 6 and 7 to the financial statements provides additional information for these entities. These organizations are:

1. Jointly Governed Organizations:

Hardin County Regional Planning Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County.

Upper Scioto Valley Ambulance District is a jointly governed organization that provides emergency medical services within the Township.

2. Public Entity Risk Pool:

Ohio Township Association Risk Management Authority – provides property and casualty coverage.

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 and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township held no investments. Demand deposits are valued at cost.

**MARION TOWNSHIP
HARDIN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

Cemetery Fund - This fund receives fees from the sale of lots, grave openings and closings and for the purpose of maintaining and operating the Township cemeteries.

Fire District Fund - This fund receives money from a special levy for the purpose of fire protection for the Township.

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 re-appropriated 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 3.

**MARION TOWNSHIP
HARDIN 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. Non-spendable

The Township classifies assets as *non-spendable* 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.

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.

**MARION TOWNSHIP
HARDIN COUNTY**

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

2. 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	\$474,862	\$405,135

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 48,658	\$ 85,740	\$37,082
Special Revenue	174,412	195,010	20,598
Total	\$223,070	\$280,750	\$57,680

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$174,861	\$ 63,605	\$111,256
Special Revenue	446,470	147,418	299,052
Total	\$621,331	\$211,023	\$410,308

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,211	\$ 53,074	\$ 5,863
Special Revenue	169,346	200,566	31,220
Total	\$216,557	\$253,640	\$37,083

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$173,000	\$ 68,917	\$104,083
Special Revenue	437,204	183,462	253,742
Total	\$610,204	\$252,379	\$357,825

Contrary to Ohio Rev. Code Section 5705.10(D), during 2011 and 2010, some restricted receipts were recorded in the wrong fund. Additionally, the Township did not maintain documentation to support wages and benefits allocations to funds.

**MARION TOWNSHIP
HARDIN COUNTY**

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

4. 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.

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

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

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

5. RETIREMENT SYSTEMS

The Township's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' 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.

6. RISK MANAGEMENT

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**MARION TOWNSHIP
HARDIN COUNTY**

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

6. RISK MANAGEMENT

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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 reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	2010	2009
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	\$25,190,528	\$26,101,322

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA	
2011	2010
\$3,953.30	\$3,454.00

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**MARION TOWNSHIP
HARDIN COUNTY**

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

7. JOINTLY GOVERNED ORGANIZATIONS

A. The Hardin County Regional Planning Commission – (the Commission) is a jointly governed entity between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, and of which may hold any other public office. The Township is represented by one member.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute an assessment per capita according to the latest federal census in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

B. The Upper Scioto Valley Ambulance District – (the District) is a jointly governed entity governed by a five-member Board of Trustees. Each political subdivision within the District appoints one member. Those subdivisions are Marion Township, McDonald Township, Roundhead Township, the Village of Alger, and the Village of McGuffey, in Hardin County. The District provides ambulance services within the District. Financial information can be obtained from Brenda Roy, Clerk at P.O. Box 83 Alger, Ohio 45812

8. RESTATEMENT OF FUND BALANCES

The December 31, 2009 General Fund and Special Revenue Fund balances were misstated as a result of an error in the financial statements. In addition, the Township recorded the adjustments related to the allocation of the wages of trustees that had resulted in a qualified opinion on the 2009-2008 audited financial statements. The correction of the error and the recording of the adjustments had the following impact on the previously reported fund balances:

	General	Special Revenue
December 31, 2009	\$124,174	\$279,657
Restatement for error	\$ 8,937	(\$ 8,894)
Trustee Wage adjustment	(\$51,858)	\$51,858
December 31, 2009	\$81,253	\$322,621

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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
Hardin County
8315 State Route 195
Alger, Ohio 45812

To the Board of Trustees:

We have audited the financial statements of Marion Township, Hardin County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated September 11, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, adopted the provisions of Governmental Accounting Standards Board Statement No. 54 for the year ended December 31, 2011, and restated the December 31, 2009 fund balances. 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 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 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 opinion 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 through 2011-03 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 2011-02 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 11, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

September 11, 2012

**MARION TOWNSHIP
HARDIN COUNTY**

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

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

FINDING NUMBER 2011-01

Material Weakness

Accuracy of Financial Reporting

The Township should have procedures and controls in place to prevent and detect errors in the financial statements and records to help provide meaningful information to users. The General Fund had classification errors in the amount of \$9,679 in 2011 and \$9,502 in 2010 as the result of recording health department fees as public safety instead of health. The Special Revenue Cemetery Fund had classification errors in the amount of \$9,532 in 2011 and \$7,888 in 2010 as the result of recording cemetery footer receipts as charges for services instead of licenses, permits, and fees.

Errors in the financial statements and supporting ledgers inhibit the ability of both the Township Fiscal Officer and the Trustees to monitor financial activity and to make sound financial decisions. Reliance on financial information that contains errors could result in noncompliance with laws and regulations applicable to the Township. In addition, financial information with errors reduces the likelihood that irregularities will be detected in a timely manner. The accompanying financial statements have been adjusted to reflect the proper classification or receipts and disbursements.

The Township Fiscal Officer should review the Ohio Township Handbook, UAN Manual, Auditor of State Bulletins, and other resources for guidance in correctly classifying receipts and disbursements. Periodically the Trustees should perform a review of the receipt and disbursement ledgers to help identify errors and/or irregularities.

FINDING NUMBER 2011-02

Material Weakness / Noncompliance Citation

Ohio Rev. Code Section 505.24(C) permits trustees to receive annual salaries instead of per diem payments. For salaries not paid from the general fund, 2004 Op. Atty. Gen. No. 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the type of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as Trustees document all time spent on township business and the type of service performed, in a manner similar to Trustees paid per diem compensation. If trustees do not document their time, then no part of their salaries may be paid from funds other than the General Fund.

The Township was notified of this requirement in a management letter dated January 10, 2007 that was provided to the management of the Township for the January 1, 2004 through December 31, 2005 audit period.

During 2011, the Township charged Trustees' salaries, employer payroll taxes, and health insurance benefits in the amount \$12,577 to the Motor Vehicle License Tax, Gasoline Tax, and Cemetery Funds without maintaining supporting documentation. During 2010, the Township charged Trustees' salaries, employer payroll taxes, and health insurance benefits in the amount \$13,296 to the Motor Vehicle License Tax, Gasoline Tax, and Cemetery Funds without maintaining supporting documentation. The accompanying financial statements and the accounting records have been adjusted to record these disbursements in the General Fund. These adjustments had the following impact on funds:

**FINDING NUMBER 2011-02
 (Continued)**

<u>Fund</u>	<u>Fund Balance Increase (Decrease)</u>
2011	
General	(\$12,577)
Motor Vehicle License Tax	\$ 1,858
Gasoline Tax	\$10,189
Cemetery	\$ 540
2010	
General	(\$13,296)
Motor Vehicle License Tax	\$ 1,985
Gasoline Tax	\$10,771
Cemetery	\$ 540

For 2010 to September 29, 2011, resolutions to pay Trustees by salary should specify how the Township will allocate salaries based on documentation the Trustees submit, not based only on percentages the resolution specifies. In addition, the Trustees should submit, documentation indicating the hours and types of service performed to support their salary allocation.

Recently enacted HB 153, effective September 29, 2011, has modified Ohio Revised Code §§ 505.24 and 507.09. Specifically, the Bill has modified Ohio Revised Code § 505.24 to require township trustees paid by the annual salary method, that compensate from funds other than the general fund, to certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. Additionally, HB 153 modified Ohio Revised Code § 507.09 to now include specific authority to compensate township fiscal officers from the general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each fund. Like the change made to Ohio Revised Code § 505.24, this statutory change also requires a township fiscal officer to document the amount of time spent providing services related to each fund by certification.

The Township should develop controls to help assure compliance with HB 153.

FINDING NUMBER 2011-03

Material Weakness / Noncompliance Citation

Ohio Rev. Code, Section 5705.10 (D), requires that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. During 2011, the Township recorded an excess IRP receipt in the amount of \$220 in the General Fund instead of the Motor Vehicle License Tax Fund. In addition, the Township recorded auditor treasurer fees of \$1,326 relating to the Fire tax levy in the General Fund instead of the Fire Fund. During 2010, the Township recorded an excess IRP receipt in the amount of \$235 in the General Fund instead of the Motor Vehicle License Tax Fund. In addition, the Township recorded auditor treasurer fees of \$1,138 relating to the Fire tax levy in the General Fund instead of the Fire Fund. **Ohio Rev. Code, Section 5705.10 (H)**, requires that money paid into any fund shall only be used for the purposes for which such fund is established. During 2011, the Fiscal Officer failed to adjust his wages by an additional amount he was paid in 2010 for holding a cemetery worker position. He subsequently identified this error and adjusted his wages to correct the overpayment; however, he failed to remove the \$1,200 of wages from the Cemetery Fund.

The accounting records and accompanying financial statements have been adjusted to reflect these receipts and disbursements in the correct funds.

The Fiscal Officer and Trustees should periodically review the accounting ledgers to help identify recording errors. This will allow for the correction of the errors in a timely manner, reduce the potential for illegal use of funds, and give a more accurate presentation of the activity within each fund.

FINDING NUMBER 2011-04

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing unit from making any contract or ordering any expenditure of money 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 encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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.

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 subdivision can authorize the drawing of a warrant for the payment of the amount due. The subdivision has thirty days from the 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 subdivision.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the end of the year. The blanket certificates 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.
3. **Super Blanket certificate** – The subdivision 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 one line item appropriation.

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.

The Township did not properly certify fifty-four percent of the expenditures tested during 2011 and 2010.

To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Township's Fiscal Officer should certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, "Then and Now" certification should be used. When the "Then and Now" certification is used for amounts in excess of \$3,000, the Board of Trustees should approve the payment by resolution within 30 days.

OFFICIALS' RESPONSE: We did not receive a response from Officials to the findings reported above.

**MARION TOWNSHIP
HARDIN 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; <i>Explain</i>
2009-001	Failure to record memo activity for Issue II grant	N/A	The Township did not receive Issue II money during 2011 or 2010.
2009-002	Ohio Rev. Code Section 5705.36(A)(2) – appropriations in excess of available resources	Yes	
2009-003	2004 Op. Atty. Gen. No. 2004-036 – Allocation of Trustee Compensation	No	Repeated as Finding No. 2011-02



Dave Yost • Auditor of State

MARION TOWNSHIP

HARDIN 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 8, 2012**