



**Auditor of State  
Betty Montgomery**



MCARTHUR TOWNSHIP  
LOGAN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Nonexpendable Trust Fund For the Year Ended December 31, 2002.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Nonexpendable Trust Fund For the Year Ended December 31, 2001.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	16

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

McArthur Township  
Logan County  
6350 Myers Street  
Huntsville, OH 43324

To the Board of Trustees:

We have audited the accompanying financial statements of McArthur Township, Logan County (the "Township"), as of and for the years ended December 31, 2002 and 2001. 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 generally accepted accounting principles.

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, 2002 and 2001, 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 10, 2003, 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 and 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 10, 2003

**MCARTHUR TOWNSHIP  
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$30,835	\$63,255		\$94,090
Licenses, Permits, and Fees	2,542	33,055		35,597
Intergovernmental	30,762	63,323	55,354	149,439
Earnings on Investments	2,159	204		2,363
Miscellaneous Revenue		29,824		29,824
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	66,298	189,661	55,354	311,313
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>				
Current:				
General Government	86,207			86,207
Public Safety		17,265		17,265
Public Works		102,517		102,517
Health		24,111		24,111
Capital Outlay		350	55,354	55,704
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	86,207	144,243	55,354	285,804
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(19,909)	45,418		25,509
Fund Cash Balances, January 1	62,114	95,365	0	157,479
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<u>\$42,205</u>	<u>\$140,783</u>	<u>\$0</u>	<u>\$182,988</u>

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

**MCARTHUR TOWNSHIP  
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>Operating Cash Receipts</b>	
Earnings on Investments	<u>\$5,778</u>
<b>Operating Cash Disbursements</b>	
Current:	
Purchased Services	30,604
Supplies & Materials	4,132
Other	<u>6,758</u>
Total Operating Cash Disbursements	<u>41,494</u>
Operating (Loss)	(35,716)
<b>Non-Operating Receipts</b>	
Miscellaneous Receipts	<u>365</u>
Net Receipts(Under) Disbursements	(35,351)
Fund Cash Balance, January 1	<u>147,454</u>
<b>Fund Cash Balance, December 31</b>	<u><u>\$112,103</u></u>

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



**MCARTHUR TOWNSHIP  
LOGAN COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$24,521	\$52,382		\$76,903
Licenses, Permits, and Fees	4,455	27,470		31,925
Intergovernmental	32,476	66,481	16,972	115,929
Earnings on Investments	5,450	843		6,293
Miscellaneous Revenue		24,633		24,633
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	66,902	171,809	16,972	255,683
<b>Cash Disbursements:</b>				
Current:				
General Government	81,329			81,329
Public Safety		20,249		20,249
Public Works		126,161		126,161
Health		25,367		25,367
Capital Outlay		39,931	16,972	56,903
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	81,329	211,708	16,972	310,009
Total Receipts (Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(14,427)	(39,899)		(54,326)
<b>Other Financing Receipts/(Disbursements)</b>				
Transfers-In		108		108
Transfers-Out	(108)			(108)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(108)	108		0
Excess of Cash Receipts & Other Financing Receipts (Under) Cash Disbursements & Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(14,535)	(39,791)		(54,326)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	76,649	135,156	0	211,805
<b>Fund Cash Balances, December 31</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$62,114	\$95,365	\$0	\$157,479

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

**MCARTHUR TOWNSHIP  
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2001**

<b>Operating Cash Receipts</b>	
Earnings on Investments	<u>\$7,073</u>
<b>Operating Cash Disbursements</b>	
Current:	
Purchased Services	18,383
Supplies & Materials	937
Other	<u>473</u>
Total Operating Cash Disbursements	<u>19,793</u>
Operating(Loss)	(12,720)
<b>Non-Operating Receipts</b>	
Miscellaneous Receipts	<u>310</u>
Net Receipts (Under) Disbursements	(12,410)
Fund Cash Balance, January 1	<u>159,864</u>
<b>Fund Cash Balance, December 31</b>	<u><u>\$147,454</u></u>

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

**MCARTHUR TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

McArthur Township, Logan 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 general governmental services, including road and bridge maintenance, cemetery maintenance, emergency medical services, and fire protection.

The Township contracts with the Village of Huntsville to provide fire services and 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**

The certificate of deposit, savings account, and checking account are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**MCARTHUR TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

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

**3. Capital Projects 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:

**Public Works Projects Fund** - The Township accounts for the memo receipts and expenditures for Issue II and Logan County sales tax money received for constructing, maintaining and repairing Township roads. As of December 31, 2002, Logan County held a sales tax revenue balance of \$11,058 for Township road projects.

**4. Fiduciary Fund (Trust Fund)**

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary fund:

**Non-Expendable Cemetery Bequest Fund** – Amounts donated are maintained in perpetuity. Investment earnings are used for maintaining of the designees' grave.

**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. Unencumbered 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 cancelled and reappropriated in the subsequent year.

A summary of 2002 and 2001 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.

**MCARTHUR TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

Demand deposits	\$220,091	\$22,861
Government Sweep Tiered		158,072
Certificates of Deposit	75,000	124,000
Total Deposits	\$ 295,091	\$ 304,933

**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 December 31, 2002 and December 31, 2001 follows:

**2002 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$69,000	\$66,298	(\$2,702)
Special Revenue	185,573	189,661	4,088
Capital Projects	55,354	55,354	0
NonExpendable Trust	4,500	6,143	1,643
Total	\$314,427	\$317,456	\$3,029

**2002 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditure	Variance
General	\$105,500	\$86,207	\$19,293
Special Revenue	174,100	144,243	29,857
Capital Projects	55,354	55,354	0
NonExpendable Trust	50,000	41,494	8,506
Total	\$384,954	\$327,298	\$57,656

**MCARTHUR TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,000	\$66,902	\$1,902
Special Revenue	166,999	171,917	4,918
Capital Projects	16,972	16,972	0
NonExpendable Trust	6,000	7,383	1,383
Total	\$254,971	\$263,174	\$8,203

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$130,900	\$81,437	\$49,463
Special Revenue	256,496	211,708	44,788
Capital Project	16,972	16,972	
NonExpendable Trust	84,350	19,793	64,557
Total	\$488,718	\$329,910	\$158,808

The Township recorded some tax revenue in the wrong fund which violated the requirements of Ohio Rev. Code Section 5705.10.

**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 January 20. The second half payment is due July 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.

**MCARTHUR TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**5. RETIREMENT SYSTEMS**

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including 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 2002 and 2001, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2002.

**6. RISK MANAGEMENT**

**A. Risk Pool Membership**

The Township belongs has insurance coverage for the following risks:

- Commercial Umbrella
- Commercial Auto Policy
- Commercial Property Coverage
- Commercial General Liability Coverage
- Commercial Inland Marine Coverage

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**Auditor of State  
Betty Montgomery**

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

McArthur Township  
Logan County  
6350 Myers Street  
Huntsville, OH 43324

To the Board of Trustees:

We have audited the financial statements of McArthur Township, Logan County (the "Township"), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 10, 2003. 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 2002-001 and 2002-002. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated June 10, 2003.

**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 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 10, 2003.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

This report is intended solely 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 10, 2003

**MCARTHUR TOWNSHIP  
LOGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

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

**FINDING NUMBER 2002-001**

**Ohio Rev. Code Section 5575.01** required contracts in excess of \$15,000 to be bid and awarded to the lowest and best bidder. During 2001, the Township did not bid the TR 238 culvert and dirt work project in the amount of \$20,192.

Failure to follow required bid procedures could result in legal action being taken against the Township and/or the Township paying an excessive amount for a project.

Procedures should be implemented by the Township to help identify expenditures that meet the criteria for bidding. To help assure that they are familiar with all requirements, the Township should review recent changes to Ohio Rev. Code Section 5575.01.

**FINDING NUMBER 2002-002**

**Ohio Rev. Code Section 5705.10** states that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made.

During 2001, mobile home tax revenue generated from the Special Revenue Road and Bridge Fund tax levy and from the Special Revenue Fire Fund tax levy was not allocated to the respective funds.

The Township has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts. The financial statements in this report reflect these adjustments. These adjustments had the following effect upon the respective fund balances:

<b>Year</b>	<b>General Fund</b>	<b>Special Revenue – Road and Bridge Fund</b>	<b>Special Revenue – Fire Fund</b>
2001	(\$2,133)	\$ 1,558	\$575

The Township should implement monitoring procedures to help assure compliance with this requirement to improve accountability over financial activity.

MCARTHUR TOWNSHIP  
LOGAN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40346-001	ORC Section 5705.10 – Revenue posted to incorrect fund	No	Not Corrected, repeated as finding 2002-002.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**MCARTHUR TOWNSHIP**

**LOGAN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 24, 2003**