

**MCARTHUR TOWNSHIP
LOGAN COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Years Ended
December 31, 2008 and 2007

CONSTANCE HALL, FISCAL OFFICER



Mary Taylor, CPA

Auditor of State

Board of Trustees
McArthur Township
6350 Myers Street
Huntsville, Ohio 43324

We have reviewed the *Independent Auditor's Report* of McArthur Township, Logan County, prepared by Julian & Grube, Inc., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. McArthur Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 28, 2009

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**MCARTHUR TOWNSHIP
LOGAN COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

McArthur Township
Logan County, Ohio
6350 Myers Street
Huntsville, Ohio 43324

We have audited the accompanying financial statements of McArthur Township, Logan County, Ohio, as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of McArthur 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 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 more fully in Note 2, McArthur 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.

Revisions to GAAP would require McArthur Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2008 and 2007. Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008 and 2007. While McArthur Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. McArthur Township has elected not to reformat its statements. Since McArthur Township does not use GAAP to measure financial statement amounts, 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.

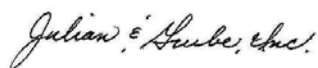
Independent Auditor's Report
McArthur Township
Page 2

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of McArthur Township as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of McArthur Township, Logan County, Ohio, as of December 31, 2008 and 2007 and its combined cash receipts and cash disbursements, combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting Note 2 describes.

The aforementioned revision to generally accepted accounting principles also requires McArthur Township to include Management's Discussion and Analysis for the years ended December 31, 2008 and 2007. McArthur Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2009, on our consideration of McArthur Township's internal control over financial reporting and on 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.



Julian & Grube, Inc.
May 20, 2009

**MCARTHUR TOWNSHIP
LOGAN COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2008 AND 2007

<u>Cash and Cash Equivalents</u>	<u>2008</u>	<u>2007</u>
Cash and Cash Equivalents	\$ 512,753	\$ 469,783
Total Cash and Cash Equivalents	<u>\$ 512,753</u>	<u>\$ 469,783</u>
 <u>Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 189,000	\$ 176,713
Special Revenue Funds	262,909	234,828
Permanent Fund	<u>60,844</u>	<u>58,242</u>
Total Governmental Fund Types	<u>512,753</u>	<u>469,783</u>
Total Fund Balances	<u>\$ 512,753</u>	<u>\$ 469,783</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**MCARTHUR TOWNSHIP
LOGAN COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash receipts:					
Local taxes	\$ 35,102	\$ 95,850	\$ -	\$ -	\$ 130,952
Intergovernmental	64,517	114,463	23,585	-	202,565
Charges for services	-	180	-	-	180
Licenses, permits and fees	1,173	27,740	-	-	28,913
Interest	10,728	991	-	2,337	14,056
Miscellaneous	-	15,465	-	265	15,730
Total cash receipts	<u>111,520</u>	<u>254,689</u>	<u>23,585</u>	<u>2,602</u>	<u>392,396</u>
Cash disbursements:					
Current:					
Public safety	-	40,868	-	-	40,868
Public health services	-	62,026	-	-	62,026
Public works	-	121,093	-	-	121,093
General government	99,233	-	-	-	99,233
Capital outlay	-	2,621	23,585	-	26,206
Total cash disbursements	<u>99,233</u>	<u>226,608</u>	<u>23,585</u>	<u>-</u>	<u>349,426</u>
Total cash receipts over/(under) cash disbursements	12,287	28,081	-	2,602	42,970
Cash fund balances, January 1, 2008	<u>176,713</u>	<u>234,828</u>	<u>-</u>	<u>58,242</u>	<u>469,783</u>
Cash fund balances, December 31, 2008	<u>\$ 189,000</u>	<u>\$ 262,909</u>	<u>\$ -</u>	<u>\$ 60,844</u>	<u>\$ 512,753</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

MCARTHUR TOWNSHIP
LOGAN COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

Fund Types	Receipts				Disbursements				Variance Favorable (Unfavorable)			
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2008 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2008 Appropriations	Total		Actual 2008 Disbursements	Encumbrances Outstanding at 12/31/08	Total
Governmental:												
General	\$ 175,696	\$ 85,000	\$ 260,696	\$ 111,520	\$ 26,520	\$ 1,017	\$ 260,696	\$ 261,713	\$ 99,233	\$ 910	\$ 100,143	\$ 161,570
Special Revenue	226,138	255,000	481,138	254,689	(311)	8,690	464,140	472,830	226,608	13,391	239,999	232,831
Capital Projects	-	23,585	23,585	23,585	-	-	23,585	23,585	23,585	-	23,585	-
Permanent	** 29,986	2,200	32,186	2,602	402	-	32,186	32,186	-	-	-	32,186
Total	\$ 431,820	\$ 365,785	\$ 797,605	\$ 392,396	\$ 26,611	\$ 9,707	\$ 780,607	\$ 790,314	\$ 349,426	\$ 14,301	\$ 363,727	\$ 426,587

** Excludes corpus amount of \$28,256

**MCARTHUR TOWNSHIP
LOGAN COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash receipts:					
Local taxes	\$ 33,365	\$ 93,753	\$ -	\$ -	\$ 127,118
Intergovernmental	35,312	121,226	33,500	-	190,038
Licenses, permits and fees	1,727	38,979	-	-	40,706
Interest	19,792	3,460	-	2,306	25,558
Miscellaneous	-	20,640	-	360	21,000
Total cash receipts	<u>90,196</u>	<u>278,058</u>	<u>33,500</u>	<u>2,666</u>	<u>404,420</u>
Cash disbursements:					
Current:					
Public safety	-	35,830	-	-	35,830
Public health services	-	67,169	-	-	67,169
Public works	1,788	163,777	-	-	165,565
General government	67,027	20,637	-	-	87,664
Capital outlay	18,534	71,070	33,500	-	123,104
Total cash disbursements	<u>87,349</u>	<u>358,483</u>	<u>33,500</u>	<u>-</u>	<u>479,332</u>
Total cash receipts over/(under) cash disbursements	2,847	(80,425)	-	2,666	(74,912)
Cash fund balances, January 1, 2007	<u>173,866</u>	<u>315,253</u>	<u>-</u>	<u>55,576</u>	<u>544,695</u>
Cash fund balances, December 31, 2007	<u>\$ 176,713</u>	<u>\$ 234,828</u>	<u>\$ -</u>	<u>\$ 58,242</u>	<u>\$ 469,783</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

MCARTHUR TOWNSHIP
LOGAN COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

Fund Types	Receipts				Disbursements				Variance Favorable (Unfavorable)			
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2007 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2007 Appropriations	Total		Actual 2007 Disbursements	Encumbrances Outstanding at 12/31/07	Total
Governmental:												
General	\$ 166,527	\$ 72,000	\$ 238,527	\$ 90,196	\$ 18,196	\$ 7,339	\$ 238,527	\$ 245,866	\$ 87,349	\$ 1,017	\$ 88,366	\$ 157,500
Special Revenue	249,486	246,500	495,986	278,058	31,558	65,767	494,986	560,753	358,483	8,690	367,173	193,580
Capital Projects	-	33,500	33,500	33,500	-	-	33,500	33,500	33,500	-	-	-
Permanent	** 27,680	2,000	29,680	2,666	666	-	29,680	29,680	-	-	-	29,680
Total	\$ 443,693	\$ 354,000	\$ 797,693	\$ 404,420	\$ 50,420	\$ 73,106	\$ 796,693	\$ 869,799	\$ 479,332	\$ 9,707	\$ 489,039	\$ 380,760

** Excludes corpus amount of \$27,896

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**MCARTHUR TOWNSHIP
LOGAN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 1 - DESCRIPTION OF THE ENTITY

McArthur Township, Logan County, Ohio, (the "Township") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, zoning and cemetery maintenance. The Township has a contract with the Village of Huntsville to provide its fire and ambulance services.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Township's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

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

Governmental Fund Types

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.

Special Revenue Fund Type

These funds are used to account for proceeds of specific revenue sources (other than from trusts or for capital projects) that are legally restricted to expenditure for specific purposes.

The Township had the following significant special revenue funds:

Road and Bridge Fund - This fund receives property tax money for providing road and bridge repairs and maintenance. (2007)

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads. (2008 and 2007)

**MCARTHUR TOWNSHIP
LOGAN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Cemetery Fund - This fund receives money from the opening and closing of graves and from lot sales which is used to maintain and improve the cemetery. (2008)

Capital Projects Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Funds:

Public Works Fund - This fund accounts for Issue II money spent on behalf of the Township maintaining and repairing Township roads.

Miscellaneous Capital Projects Fund - This fund accounts for Logan County Sales Tax money spent on behalf of the Township maintaining and repairing Township roads.

Permanent Funds

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

Cemetery Bequest/Endowment Fund - This fund accounts for donations, investment earnings, and for five dollars from each sale of each cemetery lot. This money is used for the upkeep of the cemetery. The donations must be used in accordance with donor agreements. Investment earnings may be spent on upkeep.

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 cash 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.

**MCARTHUR TOWNSHIP
LOGAN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The primary level of budgetary control is at the object level within a department and fund. Any budgetary modifications at this level may only be made by resolution of the Township's Board of Trustees. The Township had several budget modifications throughout the years ended December 31, 2008 and 2007.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year. All funds, except certain agency funds, are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates. The Logan County commissioners waived this requirement for 2008 and 2007.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Township by September 1. As part of this certification, the Township receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Township determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Township must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**MCARTHUR TOWNSHIP
LOGAN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Appropriations:

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the legal 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.

Encumbrances:

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Township had outstanding encumbrances at December 31, 2008 and 2007.

D. CASH AND CASH EQUIVALENTS AND INVESTMENTS

For reporting purposes, the Township considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Township with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Township totaled \$14,056 and \$25,558 for the years ended December 31, 2008 and 2007, respectively.

E. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Township's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded by the Township.

F. UNPAID SICK LEAVE

Employees are entitled to cash payments for unused sick leave in certain circumstances, such as upon leaving employment. Unpaid sick leave is not reflected as a liability under the basis of accounting used by the Township.

**MCARTHUR TOWNSHIP
LOGAN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Township's cash basis method of accounting.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 - CASH, CASH EQUIVALENTS 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 investments at December 31 was as follows:

	<u>2008</u>	<u>2007</u>
Demand deposits	\$437,753	\$ 394,783
Certificates of deposit	<u>75,000</u>	<u>75,000</u>
Total deposits	<u>\$512,753</u>	<u>\$ 469,783</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

NOTE 4 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township 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. The property owner may elect to make semiannual payments.

**MCARTHUR TOWNSHIP
LOGAN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 4 - PROPERTY TAX - (Continued)

In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory. This percentage was reduced to 12.5% for 2007, 6.25% for 2008, and will be zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Township due to the phasing out of the tax. In calendar years 2006-2010, the Township will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

NOTE 5 - RETIREMENT SYSTEM

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, members of OPERS participants contributed 10% and 9.5% of their wages, respectively. For 2008 and 2007, the Township contributed an amount equal to 14% and 13.85% of their wages to OPERS, respectively. The Township has paid all contributions required through December 31, 2008 and 2007.

**MCARTHUR TOWNSHIP
LOGAN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 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. 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

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**MCARTHUR TOWNSHIP
LOGAN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 6 - RISK MANAGEMENT - (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$12,802. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**MCARTHUR TOWNSHIP
LOGAN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 6 - RISK MANAGEMENT - (Continued)

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

2008	\$ 6,401
2007	7,254
2006	7,022

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

NOTE 7 - CONTINGENT LIABILITIES

The Township is not currently involved in litigation.



Julian & Grube, Inc.
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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

McArthur Township
Logan County, Ohio
6350 Myers Street
Huntsville, Ohio 43324

We have audited the financial statements of McArthur Township, Logan County, Ohio, as of and for the years ended December 31, 2008 and 2007 and have issued our report thereon dated May 20, 2009, wherein we noted McArthur Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered McArthur Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McArthur Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of McArthur Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects McArthur Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of McArthur Township's financial statements that is more than inconsequential will not be prevented or detected by McArthur Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by McArthur Township's internal control.

Board of Trustees
McArthur Township

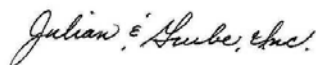
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether McArthur 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of McArthur Township in a separate letter dated May 20, 2009.

This report is intended for the information of the Board of Trustees and management of McArthur Township and is not intended to be and should not be used by anyone other than those specified.



Julian & Grube, Inc.
May 20, 2009

**MCARTHUR TOWNSHIP
LOGAN COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid
2006-001	The Township had a lack of procedures in place to help assure that financial activity is correctly classified in the accounting records and financial statements.	Yes	N/A



Mary Taylor, CPA
Auditor of State

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
AUGUST 11, 2009**