

MCDONALD TOWNSHIP

HARDIN COUNTY

REGULAR AUDIT

JANUARY 1, 2011 THROUGH DECEMBER 31, 2012

YEARS AUDITED UNDER GAGAS: 2012 AND 2011



**Caudill & Associates, CPA**

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# Dave Yost • Auditor of State

Board of Trustees  
McDonald Township  
7830 County Road 200  
Belle Center, Ohio 43310

We have reviewed the *Independent Auditor's Report* of McDonald Township, Hardin County, prepared by Caudill & Associates, CPAs, for the audit period January 1, 2011 through December 31, 2012. 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.

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. McDonald Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 12, 2013

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**MCDONALD TOWNSHIP  
HARDIN COUNTY**

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### INDEPENDENT AUDITOR'S REPORT

McDonald Township  
Hardin County  
7830 county Road 200  
Belle Center, Ohio 43310

To the Board of Trustees:

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of McDonald Township, Hardin County, (the Township) as of and for the years ended December 31, 2012 and 2011.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our qualified audit opinion.

#### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

A required audit adjustment was communicated to the Township to decrease the General Fund Balance by \$14,746 and to increase the Gas Tax Fund Balance by \$14,746 for fiscal year 2009. We were unable to obtain documentation that the Fund Balances were adjusted in accordance to the issued Adjustment. As a result, the fund balance as of January 1, 2011, and the ending balances for December 31, 2011 and December 31, 2012 are misstated.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the effects of such adjustments described above, the financial statements referred to above present fairly, in all material respects, the combined cash balances of McDonald Township, Hardin County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 10 to the financial statements, during 2011, McDonald Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.

*Caudill & Associates, CPA*

Caudill & Associates, CPA  
June 25, 2013



**MCDONALD 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, 2012**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 52,485	\$ 40,282	\$ 92,767
License, Permits, and Fees	-	7,950	7,950
Intergovernmental	83,892	94,979	178,871
Earnings on Investments	836	745	1,581
Miscellaneous	340	1,800	2,140
	<u>137,553</u>	<u>145,756</u>	<u>283,309</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	37,917	-	37,917
Public Safety	-	12,107	12,107
Public Works	-	59,505	59,505
Health	200	12,001	12,201
Conservation - Recreation	6,250	-	6,250
Capital Outlay	221	907	1,128
Debt Service:			
Redemption of Principal	-	5,372	5,372
Interest and Other Fiscal Charges	-	321	321
	<u>44,588</u>	<u>90,213</u>	<u>134,801</u>
Total Cash Disbursements	<u>44,588</u>	<u>90,213</u>	<u>134,801</u>
Total Receipts Over/(Under) Disbursements	<u>92,965</u>	<u>55,543</u>	<u>148,508</u>
<b>Other Financing Receipts / (Disbursements):</b>			
Other Financing Sources	5,062	-	5,062
Other Financing Uses	(78)	-	(78)
	<u>4,984</u>	<u>-</u>	<u>4,984</u>
Total Other Financing Receipts / (Disbursements)	<u>4,984</u>	<u>-</u>	<u>4,984</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	97,949	55,543	153,492
Fund Cash Balances, January 1	<u>130,161</u>	<u>292,908</u>	<u>423,069</u>
Fund Cash Balance, December 31			
Restricted	-	348,451	348,451
Unassigned (Deficit)	228,110	-	228,110
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 228,110</b></u>	<u><b>\$ 348,451</b></u>	<u><b>\$ 576,561</b></u>

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

**MCDONALD 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**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 37,606	\$ 33,248	\$ 70,854
Licenses, Permits, and Fees	-	7,275	7,275
Intergovernmental	49,250	95,556	144,806
Earnings on Investments	564	564	1,128
Miscellaneous	6,840	4,350	11,190
	<u>94,260</u>	<u>140,993</u>	<u>235,253</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	58,035	-	58,035
Public Safety	-	12,356	12,356
Public Works	-	58,553	58,553
Health	200	12,659	12,859
Conservation - Recreation	6,250	-	6,250
Capital Outlay	137	333	470
Debt Service:			
Redemption of Principal	-	5,840	5,840
Interest and Other Fiscal Charges	-	673	673
	<u>64,622</u>	<u>90,414</u>	<u>155,036</u>
Total Cash Disbursements	<u>64,622</u>	<u>90,414</u>	<u>155,036</u>
Total Receipts Over/(Under) Disbursements	<u>29,638</u>	<u>50,579</u>	<u>80,217</u>
<b>Other Financing Receipts / (Disbursements):</b>			
Other Financing Uses	<u>(73)</u>	<u>-</u>	<u>(73)</u>
Total Other Financing Receipts / (Disbursements)	<u>(73)</u>	<u>-</u>	<u>(73)</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	29,565	50,579	80,144
Fund Cash Balances, January 1	<u>100,596</u>	<u>242,329</u>	<u>342,925</u>
Fund Cash Balance, December 31			
Restricted	-	292,908	292,908
Unassigned (Deficit)	<u>130,161</u>	<u>-</u>	<u>130,161</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 130,161</u></u>	<u><u>\$ 292,908</u></u>	<u><u>\$ 423,069</u></u>

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

**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**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 McDonald 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 Roundhead Township, Richland Township and McGuffey Volunteer Fire Company to provide fire and ambulance services.

The Township participates in the public entity risk pool, joint venture, and two jointly governed organizations. Notes 7, 8, and 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships.

Joint Venture:

The McDonald-Roundhead Joint Recreational District (JRD). A joint park district operated with Roundhead Township.

Jointly Governed Organizations:

Upper Scioto Valley Ambulance District, a jointly governed organization that provides emergency medical services with the District.

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

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.

**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**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.

**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 for constructing, maintaining, and repairing Township roads.

Cemetery Fund - This fund receives property tax money to maintain the cemeteries.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) 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.

**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled, and re-appropriated in the subsequent year.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**F. Fund Balance (Continued)**

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.

**2. Equity in Pooled Deposits and Investments**

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

	2012	2011
Demand Deposits	\$560,407	\$407,003
Certificates of Deposits	16,154	16,066
Total deposits and investments	\$576,561	\$423,069

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,277	\$142,615	\$84,338
Special Revenue	128,902	145,756	16,854
Total	\$187,179	\$288,371	\$101,192

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$133,438	\$44,666	\$88,772
Special Revenue	217,406	90,213	127,193
Total	\$350,844	\$134,879	\$215,965

**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. Budgetary Activity (Continued)**

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,764	\$94,260	\$31,496
Special Revenue	127,950	140,993	13,043
Total	\$190,714	\$235,253	\$44,539

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$133,058	\$64,695	\$68,363
Special Revenue	233,306	90,414	142,892
Total	\$366,364	\$155,109	\$211,255

**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. Debt**

The Township issued a note during 2007 that was used to finance the purchase of a new truck to be used for the maintenance of the township roads. The final payment, including principle and interest in the amount of \$5,693 was made on April 24, 2012. The Township had no other long term obligations at year end.

**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**6. Retirement Systems**

The Township's officials and employees (excluding volunteer firefighters) belong to the Ohio Public Employees Retirement System (OPERS). OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.

**7. 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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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 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, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	<u>(9,355,082)</u>	<u>(9,718,792)</u>
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>



**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**7. Risk Management (Continued)**

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$2,275.

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.

<b><u>Contributions to OTARMA</u></b>	
<b><u>2012</u></b>	<b><u>2011</u></b>
3,855	4,308

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.

**8. Joint Venture**

**Joint Recreational District** – The McDonald-Roundhead Joint Recreational District (JRD) was established during 2001. The JRD is operated by a five member Board consisting of representatives from both McDonald Township and Roundhead Township. The Trustees of each township select the JRD Board, whose members have staggered terms to allow the JRD Board to consist of three members representing McDonald Township in one year and three members representing Roundhead Township the following year. During the initial year, the McDonald Township Trustees appointed three members to the JRD Board (one 3 year term, one 2 year term, and one 1 year term) and two members (one 3 year term and one 2 year term) were appointed by the Roundhead Township Trustees. The two townships budget and fund the McDonald-Roundhead Joint Recreational District in shares proportionate to the tax valuations of each township, in such amounts as the Township Trustees mutually agreed upon.

**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**9. Jointly Governed Organizations**

**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.

**The Hardin County Regional Planning Commission** (the Commission) is a jointly venture 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, any 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, economical, 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 by contacting Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

**10. Change In Accounting Principles**

Beginning 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on actual fund balances.



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Kentucky Society of Certified Public Accountants

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

McDonald Township  
Hardin County  
7830 County Road 200  
Belle Center, Ohio 43310

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of McDonald Township, Hardin County, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2013, which was qualified because we were unable to obtain documentation that the Township's General Fund and Gas Tax Fund Balances were adjusted in accordance with a Finding for Adjustment issued by the Ohio State Auditor's Office for fiscal year 2009. We also noted the Township followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative code Section 117-2-03 permit, described in Note 1. As well, we noted the Township, in 2011, adopted Governmental Accounting Standard Number 54.

#### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings and responses we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2012-001 and 2012-002 described in the accompanying schedule of findings and responses to be a material weakness.

McDonald Township  
Hardin County

Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Required By *Governmental Auditing Standards*

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-003 and described in the accompanying schedule of findings and responses to be a significant deficiency.

***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, opining 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 no instances of noncompliance or other matters we must report under Government Auditing Standard.

***Entity's Response to Findings***

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Township's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Caudill & Associates, CPA*

Caudill & Associates, CPA  
June 25, 2013

**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-001**

**Material Weakness – Accuracy of Bank-to-Book Reconciliations**

The Township should prepare accurate bank-to-book reconciliations to help detect errors and/or irregularities. In addition, supporting documentation should exist for each item on the reconciliation. The Township bank-to-book reconciliations included unsupported reconciling items due to the improper recording of certificates of deposits that had been redeemed by the Township. Failure to record interest revenue and electronic funds transfers (EFT) payments also contributed to the inaccuracy of the bank to book reconciliations. These situations inhibit the Township's ability to make decisions that are based on sound financial information and could be an indicator of errors or irregularities in the processing of financial data.

The Township should review its financial records to determine the source(s) of the un-reconciled balance. After the source has been identified, an adjustment(s) should be made to the financial records to eliminate this variance. Support for the adjustment(s) should be maintained, and approval should be noted in the minutes.

**Township Response:**

The Township will look into the variance to determine the correct actions that need to be taken.

**FINDING NUMBER 2012-002**

**Material Weakness – Failure to Post Issued Finding for Adjustment**

A Finding for Adjustment was issued by the Ohio State Auditor's Office during the audit period of 2009 and 2008, requesting the Township to decrease the General Fund Balance by \$14,746 and to increase the Gas Tax Fund Fund Balance by \$14,746. The Township did not adjust the respective Fund Balances as requested by the Ohio Auditor of State and as a result, the General Fund and Gas Tax Fund Balances are materially misstated.

The Township should post all proposed audit adjustments in a timely manner to fairly present the financial position of the Township.

**Township Response:**

McDonald Township has been advised by our County Pros. Atty., to not make these changes. Per O.R.C. 505.24 (C) the first paragraph cites when township trustees are paid per-diem and not on an annual salary basis. McDonald Township trustees are paid on an annual basis (second paragraph will apply to McDonald Township). The only requirement of the trustees, according to 505.24(C) second paragraph, is a resolution dictating what portions of the trustees annual salary shall be paid from the General Fund and from the Gas Fund. Nowhere is there the requirement that the trustees keep track of the amount of time spent of any specific services to be paid out of township funds as you have indicated needs to be done. In fact the keeping of time sheets was removed from this statute in 1981 which is stated in the Opinion 2004-036 footnote #5. McDonald Township has been advised we do not need adjustments based on this misplaced authority. We have been instructed to follow O.R.C. 505.24(C) and do the resolution dictating what percentages of our annual salary is to be paid from the General Fund and Gas Fund.

**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2012 AND 2011**

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

**FINDING NUMBER 2012-003**

**Significant Deficiency – Misclassification of Debt Payments**

The Township erroneously recorded principal and interest payments as capital outlay during 2012 and 2011.

Failure to properly record debt payments required audit adjustments to fairly present the debt activity of the Township.

We recommend the Township review the UAN accounting manual and properly record debt payments as principal and interest.

**Township Response:**

The Township will review the accounting manual to make these entries.

**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Significant deficiency – Accuracy of bank-to-book reconciliations	No	Reissued as Finding 2012-001
2010-02	Material Weakness – Failure to Post Issued Finding for Adjustment	No	Reissued as Finding 2012-002
2010-03	Ohio Rev. Code Section 5705.39	Yes	Finding no longer valid
2010-04	Significant deficiency – Misclassification of debt Payments	No	Reissued as Finding 2012-003
2010-05	26 U.S.C. §3403 – Employers Liability for Payment of Tax Deducted and Withheld	Yes	Finding no longer valid.

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# Dave Yost • Auditor of State

**MCDONALD 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  
SEPTEMBER 24, 2013**