

MCDONALD TOWNSHIP

HARDIN COUNTY

REGULAR AUDIT

JANUARY 1, 2007 THROUGH DECEMBER 31, 2008

YEARS AUDITED UNDER GAGAS: 2008 AND 2007

CAUDILL & ASSOCIATES CPA's

725 5th Street
Portsmouth, Ohio 45662



Mary Taylor, CPA

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, CPA's, for the audit period January 1, 2007 to 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.

Allocation of Trustees Salaries – Finding for Adjustment

Ohio Rev. Code Section 505.24(C) states, in part, that whenever members of a board of township trustees are compensated per diem and not by annual salary, the board shall establish, by resolution, a method by which each member of the board shall periodically notify the township fiscal officer of the number of days spent in the service of the township and the kinds of services rendered on those days. The per diem compensation shall be paid from the township general fund or from other township funds in such proportion as the kinds of services performed may require.

For Trustee salaries not paid from the general fund, **Ohio Attorney General Opinion 2004-036** requires that the board establish administrative procedures to properly document the proportionate amount chargeable to other township funds based on the kinds of services rendered. The administrative procedures can be timesheets or a similar method or record keeping, as long as the Trustees document all time spent on township business and the type of services performed. If Trustees do not document their time, then no part of their salaries may be paid from funds other than the general fund.

Board of Trustees
McDonald Township
7830 County Road 200 Belle Center, Ohio 43310
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Ohio Rev. Code Section 5735.27(A)(5)(d) restricts monies expended from the township's gasoline tax fund to only the purposes of planning, constructing, maintaining, widening, and reconstruction the public roads and highways within the township.

By failing to document their time, Trustees cannot assure that the proportionate amount paid from the gasoline tax fund properly reflected the proportion of time each trustee spent on roads and highways within the township relative to the total time spent on township business.

This noncompliance also occurred during the audit of the Township for the period 1/1/05 – 12/31/06 and the Township was directly informed of this requirement in the Auditor of State's management letter dated November 29, 2007. However, during 2008, the Township continued to record Trustee salary payments to the Gasoline Excise Tax Fund without administrative procedures established to account for Trustee time spent on township business and the types of services performed.

Accordingly, a Finding for Adjustment is hereby issued for the following funds to increase/decrease the respective funds cash balance as follows:

<u>Fund</u>	<u>Increase/(Decrease) Fund Balance</u>
General Fund	(\$14,746)
Gas Tax Fund	14,746

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.



Mary Taylor, CPA
Auditor of State

October 13, 2009

**MCDONALD TOWNSHIP
HARDIN COUNTY**

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Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

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Independent Auditor's Report

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

We have audited the accompanying financial statements of McDonald Township, (the Township), Hardin County, as of and for the years ended December 31, 2008 and 2007. 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.

Except as stated in the following paragraphs, 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 described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present for 2008 and 2007, GAAP requires presenting entity wide statements and also presenting its larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

We were unable to obtain documentation supporting the Trustee's compensation which was charged to the Gas Tax Fund in the amount of \$14,746 and \$614 in 2008 and 2007, respectively. We were unable to determine the validity these charges through alternative procedures. Also, we did not obtain a representation letter from the Township's management.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to determine the validity of the amounts of the Trustee's salary charged to the Gas Tax fund for fiscal years 2008 and 2007, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of the December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The 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 September 15, 2009, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Caudill & Associates, CPAs

Caudill & Associates, CPA's

September 15, 2009

**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, 2008**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
<u>Cash Receipts:</u>			
Property and Other Taxes	\$ 29,506	\$ 30,275	\$ 59,781
Fines License and Permits	-	5,350	5,350
Intergovernmental Receipts	44,910	99,580	144,490
Earnings on Investment	916	916	1,832
Miscellaneous	4,766	1,200	5,966
Total Cash Receipts	80,098	137,321	217,419
<u>Cash Disbursements:</u>			
Current:			
General Government	33,392	-	33,392
Public Safety	-	14,351	14,351
Public Works	-	78,677	78,677
Health	5,729	16,604	22,333
Conservation-Recreation	6,250	-	6,250
Capital Outlay	-	443	443
Debt Service:			
Principle Reduction	-	4,381	4,381
Interest and Fiscal Charge	-	1,402	1,402
Total Cash Disbursements	45,371	115,858	161,229
Total Receipts Over (Under) Disbursements	34,727	21,463	56,190
<u>Other Financing Receipts(Disbursements):</u>			
Sale of Fixed Assets	10,000	-	10,000
Other Financing Uses	(82)	-	(82)
Total Other Financing Receipts (Disbursements)	9,918	-	9,918
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements			
	44,645	21,463	66,108
Fund Cash Balance, January 1	13,096	171,784	184,880
Fund Cash Balance, December 31	\$ 57,741	\$ 193,247	\$ 250,988

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, 2007**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<u>Cash Receipts:</u>			
Property and Other Taxes	\$ 31,586	\$ 32,111	\$ 63,697
Fines License and Permits	-	5,500	5,500
Intergovernmental Receipts	28,768	106,439	135,207
Earnings on Investment	1,338	1,107	2,445
Miscellaneous	5,632	5,200	10,832
Total Cash Receipts	67,324	150,357	217,681
<u>Cash Disbursements:</u>			
Current:			
General Government	56,501	-	56,501
Public Safety	-	10,366	10,366
Public Works	-	157,259	157,259
Health	5,552	18,188	23,740
Conservation-Recreation	6,250	-	6,250
Capital Outlay	-	500	500
Total Cash Disbursements	68,303	186,313	254,616
Total Receipts Over (Under) Disbursements	(979)	(35,956)	(36,935)
<u>Other Financing Receipts(Disbursements):</u>			
Sale of Notes	-	24,355	24,355
Total Other Financing Receipts (Disbursements)	-	24,355	24,355
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(979)	(11,601)	(12,580)
Fund Cash Balance, January 1	14,075	183,385	197,460
Fund Cash Balance, December 31	\$ 13,096	\$ 171,784	\$ 184,880

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

**MCDONALD TOWNSHIP
HARDIN COUNTY**

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

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, Ohio (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 services and ambulance services.

The Township participates in the public entity risk pool, joint venture, and two jointly governed organizations. Note 6, 7, and 8 to the financial statements provides addition information for these entities. This organization 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) is a joint park district operated with Roundhead Township.

Joint Governed Organizations:

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

Hardin County Regional Planning Commission – The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, 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. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

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

The Township values certificates of deposit at cost.

**MCDONALD TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

Cemetery Fund – This Fund receives tax receipts, receipts for the sale of lots, and receipts for opening and closing graves. These monies are used to manage the cemetery.

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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

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

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**MCDONALD TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. 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 CASH AND DEPOSITS

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

	2008	2007
Demand Deposits	\$ 236,057	\$ 169,949
Certificates of Deposits	14,931	14,931
Total Deposits	\$ 250,988	\$ 184,880

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, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	55,737	90,098	34,361
Special Revenue	143,903	137,321	(6,582)
Total	199,640	227,419	27,779

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	83,107	45,453	37,654
Special Revenue	231,616	115,858	115,758
Total	314,723	161,311	153,412

**MCDONALD TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	56,889	67,324	10,435
Special Revenue	128,964	174,712	45,748
Total	<u>185,853</u>	<u>242,036</u>	<u>56,183</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	83,499	68,303	15,196
Special Revenue	254,619	186,313	68,306
Total	<u>338,118</u>	<u>254,616</u>	<u>83,502</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. RETIREMENT SYSTEMS

The Township's elected officials and part time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. 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 2008 and 2007, OPERS members contributed 10% and 9.5% of their gross salaries respectively. The Township contributed an amount equaling 14% and 13.85% of participants' gross salaries respectively. As of December 31, 2008 the Township has paid all contributions required.

**MCDONALD TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. DEBT

Debt outstanding as of 12/31/08 is as follows:

	<u>Principle</u>	<u>Interest Rate</u>
Note Payable, Union Banking Company	19,974	6%

The note was issued during 2007 and was used to finance the purchase of a new truck to be used in the maintenance of township roads. The note is collateralized by the truck that was purchased.

Amortization of the above debt including interest is as follows:

Year Ending December 31	Note Payable, Union Banking Company
2009	\$ 5,783
2010	5,783
2011	5,783
2012	5,783
	<u>\$ 23,132</u>

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. 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. 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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

**MCDONALD TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. RISK MANAGEMENT (continued)

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. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to annual aggregate loss payments. Travelers provide 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, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 (latest information available) 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 township.

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

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must 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 contributions. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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.

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,706	\$ 42,042,275
Liabilities	(13,357,837)	(12,120,661)
Retained Earnings	<u>\$29,852,869</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 \$7,418. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**MCDONALD TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. 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

2006	\$4,700
2007	\$3,704
2008	\$3,709

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.

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 Round head 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 Round head 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 terms) 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 amount as the township trustees mutually agreed upon.

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 Township 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.

**MCDONALD TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

10. COMPLIANCE

- (1) Contrary to Ohio Revised Code section 505.24 (amplified by OAG Opinion 2004-036) the township did not establish administrative procedures to document the proportionate amount of salary chargeable to other township funds based on the kinds of services rendered. Adjustments have been made to both the 2007 and 2008 financial statements to charge all Trustees' salary paid after the Township was notified of the requirement to the General Fund.
- (2) Contrary to Ohio Revised Code section 57505.39 the township appropriations exceed what was certified as available on the amended certificate of estimated resources. This occurred in the General Fund during 2007 and again in the General fund during 2008.

11. MISCELLANEOUS RECEIPTS

During 2007 and 2008 the Township received refunds for overpayment of federal withholdings. The overpayment occurred in years prior to 2007. These refunds were paid to the township General Fund. The balance of miscellaneous receipt in the Township General fund for 2007 and 2008 is composed primarily of these receipts.

The balance of miscellaneous receipts in the Township Special Revenue Funds for 2007 and 2008 consists entirely of receipt for the sale of cemetery plots and fees charged by the township for opening and closing cemetery plots.

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Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

**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***

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

We have audited the financial statements of McDonald Township (the Township), Hardin County, as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 15, 2009, which was qualified because we were unable to obtain documentation supporting the Trustee's compensation which was charged to the Gas Tax Fund for fiscal year 2008 and 2007, and because we did not obtain a representation letter from the Township's management. We also noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 the 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 the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as items 2008-002, 2008-003, and 2008-004.

A material weakness is a significant deficiency, or a 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 the Township's internal control.

McDonald Township
Hardin County

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*

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 that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the following deficiencies described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting as items 2008-003 and 2008-004.

Compliance and Other Matters

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 grant agreements, 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 two instance of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as item 2008-001 and 2008-003.

We also noted certain non compliance and other matters not requiring inclusion in this report that we reported to the Townships management in a separate letter dated September 15, 2009.

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.

This report is intended for the information and use of management, Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Caudill & Associates, CPA's

Caudill & Associates, CPA's

September 15, 2009

**MCDONALD TOWNSHIP
HARDIN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-001

Noncompliance Citation – Ohio Rev. Code Section 5705.39

Ohio Rev. Code 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

Total appropriations for the Township General Fund exceeded what was certified as available on the amended certificate of estimated resources. This occurred during 2007 and 2008.

We recommend that the Township appropriate only those funds that are certified as available on the most recent amended certificate of estimated resources.

Township Response:

We received no response from the Township regarding this issue.

FINDING NUMBER 2008-002

Significant Deficiency – 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:

We received no response from the township regarding this issue.

**MCDONALD TOWNSHIP
HARDIN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008 - 003

Significant Deficiency/ Material Weakness/ Noncompliance Citation – Ohio Rev. Code Section 505.24

The Ohio Rev. Code Section 505.24 requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered. If trustees do not document their time, then no part of salaries may be paid from other funds. The Township was notified of this requirement in the prior audit reported dated November 29th, 2007.

The Township paid trustees salaries partially from the General Fund and Gas Tax Fund during both 2007 and 2008. The Township did not establish administrative procedures to document the proportionate amount of salary chargeable to other township funds based on the kinds of services rendered.

We recommend that the Township Trustees document time worked chargeable to other funds when being paid from funds other than the General fund.

Township Response:

We received no response from the Township regarding this issue.

FINDING NUMBER 2008 – 004

Significant Deficiency / Material Weakness – Misclassification of Receipts and Disbursements

During 2007 the Township recorded the receipt of debt proceeds and the related disbursement of debt proceeds in the Township General Fund. These debt proceeds were used for the purchase of a new truck to be used in the maintenance and repair of township roads. The debt was to be serviced from the Gas Tax Fund. To be consistent the Township should have recorded the debt proceeds and purchase of the truck in the Gas Tax Fund. Adjustments have been made to the financial statement to properly record the debt proceeds and charge the purchase of the truck to the Gas Tax Fund.

The failure to correctly record financial activity not only could impacted the user’s understanding of the financial operations, it can also inhibited the Township Board and management’s ability to make sound financial decisions, and may impact the Township’s ability to comply with the budgetary laws.

We recommend that the Township Fiscal Officer review the Ohio Township Manual, the UAN Manual, and Auditor of State Audit Bulletins for guidance in the recording of receipts and disbursements. The Township’s Fiscal Officer should also perform a periodic review of the financial records to help identify recording errors.

**MCDONALD TOWNSHIP
HARDIN COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

For The Years Ended December 31, 2008 and 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	Significant Deficiency/Finding for Recovery – Over payment of Taxes	Yes	N/A
2006-002	Significant Deficiency – Accuracy and Timeliness of Bank to Book Reconciliations	No	Reissue as finding number 2008-002
2006-003	Material Weakness – Recording of Financial Activity	Yes	N/A
2006-004	Material Weakness /Noncompliance Citation – ORC 5705.09(F) Required Funds	Yes	N/A
2006-005	Material Weakness /Noncompliance Citation – ORC 5705.10(D) Recoding of Tax Levy Receipts	Yes	N/A



Mary Taylor, CPA
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
NOVEMBER 5, 2009**