



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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MCDONALD TOWNSHIP  
HARDIN COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2016 and 2015  
Fiscal Years Audited Under GAGAS: 2016 and 2015





# Dave Yost • Auditor of State

Board of Trustees  
McDonald Township  
7830 County Road 220  
Belle Center, Ohio 43310

We have reviewed the *Independent Auditor's Report* of McDonald Township, Hardin County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2015 through December 31, 2016. 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

August 4, 2017

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McDonald Township  
Hardin County  
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### **Independent Auditor's Report**

McDonald Township  
Hardin County  
7830 County Road 220  
Belle Center, Ohio 43310

To the Board of Trustees:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of McDonald Township, Hardin County, (the Township) as of and for the years ended December 31, 2016 and 2015.

#### ***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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the Opinion on Regulatory Basis of Accounting paragraph below.

***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, 2016 and 2015, or changes in financial position thereof for the years then ended.

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

In our opinion, 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, 2016 and 2015, 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(D) permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2017, 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 Township's internal control over financial reporting and compliance.



BHM CPA Group, Inc.  
Piketon, Ohio  
June 22, 2017

**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, 2016**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property Taxes	\$ 95,434	\$ 45,553	\$ -	\$ 140,987
Licenses, Permits and Fees	-	7,550	-	7,550
Intergovernmental	30,207	94,673	-	124,880
Earnings on Investments	516	275	-	791
Miscellaneous	2,449	2,550	-	4,999
Total Cash Receipts	<u>128,606</u>	<u>150,601</u>	<u>-</u>	<u>279,207</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	101,705	-	-	101,705
Public Safety	-	14,771	-	14,771
Public Works	-	111,880	-	111,880
Health	11,276	18,147	-	29,423
Conservation/Recreation	6,250	-	-	6,250
Capitlay Outlay	8,153	1,017	-	9,170
Debt Service:				
Redemption of Principal	-	-	3,252	3,252
Interest and Fiscal Charges	-	-	6,017	6,017
Total Cash Disbursements	<u>127,384</u>	<u>145,815</u>	<u>9,269</u>	<u>282,468</u>
Excess of Receipts Over/(Under) Disbursements	1,222	4,786	(9,269)	(3,261)
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In	-	-	10,000	10,000
Transfers-Out	(10,000)	-	-	(10,000)
Other Sources	38	-	-	38
Special Item	200	-	-	200
Total Other Financing Receipts/(Disbursements)	<u>(9,762)</u>	<u>-</u>	<u>10,000</u>	<u>238</u>
Net Change in Fund Cash Balances	(8,540)	4,786	731	(3,023)
Fund Cash Balances, January 1	<u>359,570</u>	<u>442,917</u>	<u>-</u>	<u>802,487</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	447,703	731	448,434
Unassigned	<u>351,030</u>	<u>-</u>	<u>-</u>	<u>351,030</u>
Fund Cash Balances, December 31	<u>\$ 351,030</u>	<u>\$ 447,703</u>	<u>\$ 731</u>	<u>\$ 799,464</u>



**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, 2015**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Taxes	\$ 86,086	\$ 40,835	\$ 126,921
Licenses, Permits and Fees	-	2,875	2,875
Intergovernmental	36,799	111,169	147,968
Earnings on Investments	394	394	788
Miscellaneous	377	1,500	1,877
	<u>123,656</u>	<u>156,773</u>	<u>280,429</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	54,023	-	54,023
Public Safety	-	14,746	14,746
Public Works	-	85,064	85,064
Health	9,510	14,670	24,180
Conservation/Recreation	6,250	-	6,250
Capital Outlay	97,849	9,726	133,288
Debt Service:			
Bond Issuance Cost	25,713	-	25,713
	<u>193,345</u>	<u>124,206</u>	<u>317,551</u>
Excess of Receipts Over/(Under) Disbursements	(69,689)	32,567	(37,122)
<b>Other Financing Receipts/(Disbursements):</b>			
Sale of Bonds	95,000	-	95,000
Total Other Financing Receipts/(Disbursements)	<u>95,000</u>	<u>-</u>	<u>95,000</u>
Net Change in Fund Cash Balances	25,311	32,567	57,878
Fund Cash Balances, January 1	<u>334,259</u>	<u>410,350</u>	<u>744,609</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	442,917	442,917
Unassigned	359,570	-	359,570
Fund Cash Balances, December 31	<u>\$ 359,570</u>	<u>\$ 442,917</u>	<u>\$ 802,487</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, 2016 AND 2015**

**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 services.

The Township participates in the public entity risk pool, joint venture, and three 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 provides emergency medical services within the District.

B.M.R.T. Regional Ambulance District provides emergency medical services within the District.

Hardin County Regional Planning Commission, the Commission provides 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. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. The 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, 2016 AND 2015**

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

**C. Cash and Deposits**

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

The Township values certifications of deposits at cost. Investments in STAR Ohio are recorded at shares values that STAR Ohio reports.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

**3. Debt Service Fund**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds.

Land and Building Purchase Fund – The Land and Building Purchases fund accounts for and reports resources restricted for the retirement of 2015 General Obligation Bond.

**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

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

**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. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated Resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

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

A summary of 2016 and 2015 budgetary activity appears in Note 3.

**F. Fund Balance**

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.

**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

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

**F. Fund Balance (Continued)**

**4. Assigned**

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

**5. Unassigned**

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

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant and Equipment**

The Township records disbursements for acquisition of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

**2. Equity in Pooled Cash**

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

	2016	2015
Demand deposits	\$ 783,126	\$ 786,187
Certificates of Deposit	<u>16,338</u>	<u>16,300</u>
Total deposits	<u>\$ 799,464</u>	<u>\$ 802,487</u>

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

**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**3. Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 and 2015 as follows:

2016 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 509,994	\$ 128,844	\$ (381,150)
Special Revenue	578,889	150,601	(428,288)
Debt Service	-	10,000	10,000
Total	\$ 1,088,883	\$ 289,445	\$ (799,438)

2016 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 183,902	\$ 137,384	\$ 46,518
Special Revenue	272,572	145,815	126,757
Debt Service	10,000	9,269	731
Total	\$ 466,474	\$ 292,468	\$ 174,006

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 438,817	\$ 218,656	\$ (220,161)
Special Revenue	536,138	156,773	(379,365)
Total	\$ 974,955	\$ 375,429	\$ (599,526)

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 251,260	\$ 193,345	\$ 57,915
Special Revenue	251,382	124,206	127,176
Total	\$ 502,642	\$ 317,551	\$ 185,091

**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**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 property owner elects to pay semiannually, the first half is due December 31. The second half payment is due to the following June 20.

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

**5. Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$ 91,748	5.00%
Total	\$ 91,748	

In 2015 the Township issued general obligation bonds to finance the purchase of land and a building to be used by the Township for equipment storage and administrative offices.

***Amortization***

Amortization of the above debt, including interest, is schedule as follows:

Year ending December 31:	General Obligation Bonds
2017	\$ 9,268
2018	9,268
2019	9,269
2020	9,269
2021	9,269
2022-2026	46,345
2027-2030	37,078
	\$ 129,766

**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**6. Retirement Systems**

Employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016 and 2015, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of the participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, 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.



**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**7. Risk Management (Continued)**

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Assets	\$ 38,473,283	\$ 37,313,311
Liabilities	<u>(8,244,140)</u>	<u>(8,418,518)</u>
Net Position	<u>\$ 30,229,143</u>	<u>\$ 28,894,793</u>

At December 31, 2016 and 2015, respectively, the liabilities above include approximately \$7.4 and \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$6.9 and \$7.7 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016 and 2015, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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

<u>Township Contributions to OTARMA</u>		
2016	\$	4,381
2015		3,821

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.

**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**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 member 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. Financial information can be obtained from Helen Lautenschlager, Fiscal Officer, 15494 State Route 235 Belle Center, Ohio 43310.

**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. Financial information can be obtained from Joyce Campbell, Clerk, P.O. Box 83, McGuffey, Ohio 45859.

**B.M.R.T. Regional Ambulance District** is a jointly governed organization consisting of the Village of Belle Center, McDonald Township, and Richland Township in Logan County, and Taylor-Creek Township in Hardin County. The District is directed by an appointed four-member Board of Trustees. One member is appointed by each political subdivision within the District. The District provides ambulance services within the District. Financial information can be obtained from Donna Canfield, Clerk, 104 West Buckeye Street, Belle Center, Ohio 43310.

**The Hardin County Regional Planning Commission** (the Commission) is a jointly governed organization 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.



**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 220  
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 cash balances, receipts, and disbursements by fund type of McDonald Township, Hardin County, (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 22, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

***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 opinion 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 we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and significant deficiencies.

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 finding 2016-001 described in the accompanying schedule of findings to be a material weakness.

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 2016-002 described in the accompanying schedule of findings to be significant deficiencies.

***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 instances of noncompliance or other matters we must report under Government Auditing Standards which are described in the accompanying schedule of findings as item 2016-002.

***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.

*BHM CPA Group*

BHM CPA Group, Inc.  
Piketon, Ohio  
June 22, 2017

**MCDONALD TOWNSHIP  
HARDIN COUNTY  
DECEMBER 31, 2016 AND 2015  
SCHEDULE OF FINDINGS**

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

**FINDING NUMBER 2016-001**

**Material Weakness**

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

- During 2016 and 2015, adjustments and reclassifications to tax revenue, intergovernmental revenue, and expense classifications, as well as adjustments to cash fund balances.

To ensure the Township’s financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Township Manual for guidance on the correct line item to post various receipts and expenditures of the Township.

**Client Response:** We did not receive a response from Officials to the findings reported above.

**FINDING NUMBER 2016-002**

**Noncompliance / Significant Deficiency**

**Ohio Rev. Code § 5705.10(C)** states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. The following revenues which are generated as the result of special levies were not credited to the correct fund:

<u>Year</u>	<u>Receipt Type</u>	<u>Amount</u>	<u>Fund Recorded in by Township</u>	<u>Correct Fund</u>
2016	Homestead and Rollback	\$3,645	General	Cemetery
2016	Homestead and Rollback	\$1,764	General	McDonald Fire
2016	Homestead and Rollback	\$486	General	Road & Bridge
2015	Homestead and Rollback	\$3,750	General	Cemetery
2015	Homestead and Rollback	\$1,814	General	McDonald Fire
2015	Homestead and Rollback	\$500	General	Road & Bridge

The accounting records and accompanying financial statements have been adjusted to correctly record these receipts.

The lack of controls and procedures over the recording of these receipts contributed to the recording errors.

The failure to record receipts in the correct fund impacts the users understanding of the available resources in each fund, may result in the illegal disbursement of restricted money, may materially misstate the financial statements, and makes it more difficult to detect irregularities.

The Fiscal Officer should utilize the county auditor tax settlement sheets to help assure homestead and rollback receipts are allocated to the correct funds. The Fiscal Officer and Trustees should periodically review the accounting ledgers to help identify recording errors. This will allow for the correction of the errors in a timely manner, reduce the potential for illegal use of funds, and give a more accurate presentation of the activity within each fund and in the financial statements.

**Client Response:** We did not receive a response from Officials to the findings reported above.

**MCDONALD TOWNSHIP  
HARDIN COUNTY  
DECEMBER 31, 2016 AND 2015**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2014-001	Material Weakness – Bank to Book Reconciliations & Financial Reporting	No	Reissued as 2016 - 001
2014-002	ORC 5705.24(D) - Salary Certifications	Yes	
2014-003	ORC 5705.10(C) – Failure to record receipts in the correct fund	No	Reissued as 2016-002



# 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  
AUGUST 17, 2017**