



**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



MCDONALD TOWNSHIP  
HARDIN COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

McDonald Township  
Hardin County  
4265 CR 200  
Belle Center, Ohio 43310

To the Board of Trustees:

We have audited the accompanying financial statements of McDonald Township, Hardin County, Ohio, (the Township) as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2001 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

This report is intended solely for the information and use of the management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

June 11, 2001

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**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, 2000**

	<b>Governmental Fund Types</b>		<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	
<b>Cash Receipts:</b>			
Local Taxes	\$15,488	\$25,761	\$41,249
Intergovernmental	25,682	59,315	84,997
Licenses, Permits, and Fees	0	4,975	4,975
Earnings on Investments	3,092	1,405	4,497
Other Revenue	1,481	8,150	9,631
 Total Cash Receipts	 45,743	 99,606	 145,349
 <b>Cash Disbursements:</b>			
Current:			
General Government	55,367	434	55,801
Public Safety		10,127	10,127
Public Works		64,908	64,908
Health	2,899	14,998	17,897
Capital Outlay	20,672	16,139	36,811
 Total Cash Disbursements	 78,938	 106,606	 185,544
 Total Receipts (Under) Disbursements	 (33,195)	 (7,000)	 (40,195)
 <b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		3,400	3,400
Transfers-Out	(3,400)	0	(3,400)
 Total Other Financing Receipts/(Disbursements)	 (3,400)	 3,400	 0
 Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	 (36,595)	 (3,600)	 (40,195)
 Fund Cash Balances, January 1	 96,646	 50,455	 147,101
 <b>Fund Cash Balances, December 31</b>	 \$60,051	 \$46,855	 \$106,906
 Reserve for Encumbrances, December 31	 \$2,607	 \$168	 \$2,775

*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, 1999**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$11,396	\$22,296	\$33,692
Intergovernmental	52,614	61,195	113,809
Licenses, Permits, and Fees		7,065	7,065
Earnings on Investments	2,736	372	3,108
Other Revenue	19	877	896
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	66,765	91,805	158,570
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
General Government	30,427	30	30,457
Public Safety		11,503	11,503
Public Works		42,445	42,445
Health	3,251	18,502	21,753
Capital Outlay		10,270	10,270
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	33,678	82,750	116,428
	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	33,087	9,055	42,142
Fund Cash Balances, January 1	63,559	41,400	104,959
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<u>\$96,646</u>	<u>\$50,455</u>	<u>\$147,101</u>
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	<u>\$67</u>	<u>\$4,266</u>	<u>\$4,333</u>

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



**MCDONALD TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

McDonald Township, Hardin County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with Roundhead Township, Richland Township, and the McGuffey Volunteer Fire Company for fire and emergency medical services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

Cemetery Fund - This fund receives fees used to manage the Township cemeteries.

**MCDONALD TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**1. 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. 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 2000 and 1999 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

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

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$79,617	\$101,096
Certificates of deposit	<u>27,289</u>	<u>46,005</u>
Total deposits	<u>106,906</u>	<u>147,101</u>

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

**MCDONALD TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,604	\$45,743	\$19,139
Special Revenue	89,470	103,006	13,536
Total	\$116,074	\$148,749	\$32,675

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$84,898	\$84,945	(\$47)
Special Revenue	138,753	106,774	31,979
Total	\$223,651	\$191,719	\$31,932

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,488	\$66,765	\$40,277
Special Revenue	95,135	91,805	(3,330)
Total	\$121,623	\$158,570	\$36,947

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,771	\$33,745	\$56,026
Special Revenue	136,835	87,016	49,819
Total	\$226,606	\$120,761	\$105,845

**MCDONALD TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2000 AND 1999**  
**(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due 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**

Debt outstanding at December 31, 2000 was as follows:

The Township entered into a lease agreement on May 12, 2000 for a tractor. A payment of \$5,375 was due at the inception of the lease. One payment of \$6,033 is due in 2001 with an option to purchase for \$11,060.

**6. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, members of PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries during the period January 1, 1999 through June 30, 2000. During the period of July 2000 through December 31, 2000 there was a temporary reduction which reduced the employer rate to 8.13%. The Township has paid all contributions required through December 31, 2000.

**7. RISK MANAGEMENT**

The Township is a member of the Ohio Township Association Risk Management Authority Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- Building and Contents
- General liability and casualty
- Public official's liability
- Vehicle



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## REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

McDonald Township  
Hardin County  
4265 CR 200  
Belle Center, Ohio 43310

To the Board of Trustees:

We have audited the accompanying financial statements of McDonald Township, Hardin County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 11, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 11, 2001.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-40233-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions also considered to be material weaknesses. However, we consider the reportable condition described above as item 2000-40233-001 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 11, 2001.

McDonald Township  
Hardin County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

June 11, 2001

**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999**

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

**2000-40233-001**

**Bank to Book Reconciliations**

Reconciliations between the Township's financial records and all deposits and investments should be performed monthly to help assure the accuracy and completeness of financial reporting. The Township's reconciliations were not accurately prepared and were not always completed in a timely manner. The amount presented on the reconciliation for the bank balance included an unidentified adjustment to allow the reconciliation to balance. This unreconciled situation has existed since 1996. The reconciliations for July to November, 1999, were all performed on December 20, 1999, and the May 1999 reconciliation was performed during July, 1999. The failure to correctly prepare the monthly reconciliations in a timely manner could result in the material misstatement of the financial statements errors and irregularities going undetected.

The Township should review their financial records to determine the source of the unreconciled 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. Review procedures should then be implemented to help assure that monthly reconciliations are accurate and performed in a timely manner.

**MCDONALD TOWNSHIP  
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2000 AND 1999**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid: Explain:</u>
1998- 40233-001	Prior Certification of Expenditures	Yes	
1998- 40233-002	Cash Reconciliations	No	Not Corrected. Repeated in this report.
1998- 40233-003	Recording of Receipts	No	Significant improvement. Comment will not be repeated.
1998- 40233-004	Fund Balance Adjustments, Reconciliations, and Approvals	Yes	





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**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  
JULY 10, 2001**