



Dave Yost • Auditor of State

MCARTHUR TOWNSHIP
LOGAN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

McArthur Township
Logan County
4758 County Road 91
Bellefontaine, Ohio 43311

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of McArthur Township, Logan County, (the Township) as of and for the years ended December 31, 2014 and 2013.

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 permitted 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, 2014 and 2013, 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 McArthur Township, Logan County as of December 31, 2014 and 2013, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Township restated fund balances at January 1, 2013 for the Permanent and Private Purpose Trust Funds based on Governmental Accounting Standards Board Statement No. 54 guidelines. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2015, 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.



Dave Yost
Auditor of State
Columbus, Ohio

July 22, 2015

**MCARTHUR TOWNSHIP
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$78,403	\$74,092			\$152,495
Charges for Services		300			300
Licenses, Permits and Fees	1,457	35,651			37,108
Intergovernmental	57,000	105,754	\$77,070		239,824
Earnings on Investments	728	246		\$86	1,060
Miscellaneous		14,750		1,225	15,975
Total Cash Receipts	<u>137,588</u>	<u>230,793</u>	<u>77,070</u>	<u>1,311</u>	<u>446,762</u>
Cash Disbursements:					
Current:					
General Government	109,762				109,762
Public Safety		40,947			40,947
Public Works		89,374			89,374
Health	18,326	45,044			63,370
Capital Outlay			77,070		77,070
Total Cash Disbursements	<u>128,088</u>	<u>175,365</u>	<u>77,070</u>	<u>0</u>	<u>380,523</u>
Excess of Receipts Over (Under) Disbursements	9,500	55,428	0	1,311	66,239
Fund Cash Balances, January 1	<u>102,110</u>	<u>329,633</u>	<u>0</u>	<u>43,296</u>	<u>475,039</u>
Fund Cash Balances, December 31:					
Non-spendable				34,541	34,541
Restricted		297,409		10,066	307,475
Committed		87,652			87,652
Assigned	110,426				110,426
Unassigned (Deficit)	1,184				1,184
Fund Cash Balances, December 31	<u>\$111,610</u>	<u>\$385,061</u>	<u>\$0</u>	<u>\$44,607</u>	<u>\$541,278</u>

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

MCARTHUR TOWNSHIP
LOGAN COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE (CASH BASIS)
PRIVATE PURPOSE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Private Purpose Trust</u>
Fund Cash Balance, January 1	<u>\$700</u>
Fund Cash Balance, December 31	<u><u>\$700</u></u>

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

**MCARTHUR TOWNSHIP
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$68,495	\$66,853			\$135,348
Charges for Services		559			559
Licenses, Permits and Fees	1,661	32,303			33,964
Intergovernmental	56,464	107,249	\$30,805		194,518
Earnings on Investments	220	80		\$28	328
Miscellaneous	554	20,165		1,650	22,369
Total Cash Receipts	<u>127,394</u>	<u>227,209</u>	<u>30,805</u>	<u>1,678</u>	<u>387,086</u>
Cash Disbursements					
Current:					
General Government	94,562				94,562
Public Safety		40,907			40,907
Public Works		142,776			142,776
Health	18,470	44,724			63,194
Capital Outlay	820		30,805		31,625
Total Cash Disbursements	<u>113,852</u>	<u>228,407</u>	<u>30,805</u>	<u>0</u>	<u>373,064</u>
Excess of Receipts Over (Under) Disbursements	13,542	(1,198)	0	1,678	14,022
Fund Cash Balances, January 1, Restated	<u>88,568</u>	<u>330,831</u>	<u>0</u>	<u>41,618</u>	<u>461,017</u>
Fund Cash Balances, December 31:					
Non-spendable				33,317	33,317
Restricted		276,113		9,979	286,092
Committed		53,520			53,520
Assigned	61,195				61,195
Unassigned (Deficit)	40,915				40,915
Fund Cash Balances, December 31	<u>\$102,110</u>	<u>\$329,633</u>	<u>\$0</u>	<u>\$43,296</u>	<u>\$475,039</u>

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

MCARTHUR TOWNSHIP
LOGAN COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE (CASH BASIS)
PRIVATE PURPOSE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Private Purpose Trust</u>
Fund Cash Balance, January 1, Restated	<u>\$700</u>
Fund Cash Balance, December 31	<u><u>\$700</u></u>

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

**MCARTHUR TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

McArthur Township, Logan County, Ohio (the "Township") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and bylaws of the State of Ohio. The Township provides general government services, including road and bridge maintenance, zoning and cemetery maintenance. The Township has a contract with the Village of Huntsville to provide its fire and ambulance services.

The Township Management is comprised of a 3 person board of Trustees that are elected as well as an elected Fiscal Officer. The township employs a zoning inspector as well as a full time sexton/road worker and part time sexton/roadwork help as needed.

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 accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Fund Accounting

The Township uses fund accounting to segregate cash that is 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.

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:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Motor Vehicle License Fund - This fund receives motor vehicle licenses taxes used for maintaining and repairing township roads and bridges.

**MCARTHUR TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cemetery Fund - This fund receives money from the sale of cemetery spaces and fees to open and close cemetery spaces when a burial occurs. These funds are used to maintain the cemetery.

Fire District Fund - The fund receives money from a fire levy which in turn is passed through to the Village of Huntsville with whom we have a contract for them to provide fire services.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project funds

Public Works Commissions Projects - State Issue II funds spent on behalf of the Township maintaining and repairing Township Roads.

Misc. Capital Projects/Sales Tax - Fund through the Logan County Engineer's Office for construction and repair of township roads and bridges through the use of sales tax dollars collected through the county.

4. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant Permanent Fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery. This fund accounts for donations, investment earnings and for twenty-five dollars from the sale of each cemetery space. The donations must be used in accordance with donor agreements. Investment Earnings may be spent on upkeep.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

Cemetery Maintenance and Upkeep Fund - The Township's private purpose trust fund is for the benefit of certain individuals.

**MCARTHUR TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

The Budgetary Process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents with an established time table. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolutions, all of which are prepared on the budgetary basis of accounting.

1. Tax Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor as secretary of the County Budget Commission. All funds, except certain agency funds, are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates. The Logan County Commissioners waived this requirement for 2013 and 2014.

2. 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. Unencumbered appropriations lapse at year end. Appropriations are accepted through resolution and are subject to amendment throughout the year through resolution with the legal restriction that appropriations do not exceed certified estimated resources. The primary level of budgetary control is at the object level within a department and fund.

3. 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 approve estimated resources. The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County certifies its actions by September 1. The Certificate of Estimated Resources is prepared and accepted through resolution. Further amendments may be made through the year if it is determined that more or less resources will be received. This is also approved through resolution.

4. Encumbrances

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

A summary of 2014 and 2013 budgetary activity appears in Note 4.

E. Cash and Investments

Township maintains checking and savings accounts. There are no investments.

**MCARTHUR TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Capital assets are not capitalized in any of the Township's funds. Instead, capital acquisitions and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expensed along with improvements. The Township does not record depreciation.

G. 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. Non-spendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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.

**MCARTHUR TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. FUND BALANCE RESTATEMENT

The Township restated fund balances at January 1, 2013, for the Permanent and Private Purpose Trust Fund. The Township's Permanent Fund (Cemetery Endowment) included assets held under a trust agreement for individuals and was incorrectly classified as a Permanent Fund instead of as a Private Purpose Trust Fund, based on GASB 54 guidelines. The following shows the impact of the restatement:

	Permanent Fund	Private Purpose Trust Fund
December 31, 2012 Fund Balance	\$42,318	\$0
Prior Period Adjustment	(700)	700
Restated January 1, 2013 Fund Balance	\$41,618	\$700

3. EQUITY IN POOLED DEPOSITS

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

	2013	2014
Demand deposits	\$29,743	\$16,640
Other time deposits (savings and NOW accounts)	445,996	525,338
Total deposits	\$475,739	\$541,978

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2014 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$124,165	\$127,394	\$3,229
Special Revenue	203,992	227,209	23,217
Capital Projects	30,805	30,805	0
Permanent	1,517	1,678	161
Total	\$360,479	\$387,086	\$26,607

**MCARTHUR TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$185,486	\$115,812	\$69,674
Special Revenue	524,903	239,990	284,913
Capital Projects	30,805	30,805	0
Permanent	10,952	0	10,952
Total	<u>\$752,146</u>	<u>\$386,607</u>	<u>\$365,539</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$126,765	\$137,588	\$10,823
Special Revenue	203,000	230,793	27,793
Capital Projects	77,070	77,070	0
Permanent	1,000	1,311	311
Total	<u>\$407,835</u>	<u>\$446,762</u>	<u>\$38,927</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$187,960	\$129,344	\$58,616
Special Revenue	515,583	183,466	332,117
Capital Projects	77,070	77,070	0
Permanent	11,000	0	11,000
Total	<u>\$791,613</u>	<u>\$389,880</u>	<u>\$401,733</u>

5. PROPERTY TAX

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

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

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

6. RETIREMENT SYSTEM

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

**MCARTHUR TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

6. RETIREMENT SYSTEM (Continued)

Contribution Rates are also prescribed by the Ohio Revised Code. For 2013 and 2014, members of OPERS contributed 10% of their wages and the township contributed 14% of their wages. The Township has paid all required contributions through December 31, 2013 and 2014.

7. RISK MANAGEMENT

A. Risk Pool Membership

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.

B. 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, 2014, 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.

C. 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, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	<u>\$26,467,923</u>	<u>\$27,057,831</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

**MCARTHUR TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(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	
2013	2014
<u>\$7,550</u>	<u>\$7,710</u>

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.



Dave Yost • Auditor of State

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

McArthur Township
Logan County
4758 County Road 91
Bellefontaine, Ohio 43311

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 McArthur Township, Logan County, (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated July 22, 2015 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Township restated fund balances at January 1, 2013 for the Permanent and Private Purpose Trust funds based on GASB 54 guidelines.

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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Township's Response to Finding

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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.



Dave Yost
Auditor of State
Columbus, Ohio

July 22, 2015

**MCARTHUR TOWNSHIP
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Material Weakness - Financial Reporting

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, introduced five fund balance classifications and clarified the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned and unassigned.

In addition, GASB 34 and 54 defines permanent funds as funds "...used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the government or its citizenry." Private purpose trust funds "...should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments." Investing a specific portion of the fee charged to everyone for the sale of lots and using the interest to cover on-going maintenance of a cemetery is benefitting the government or its citizenry and would be reported as a permanent fund. Allowing individuals the option to contribute with the principal and/or interest designated for placing flowers on specific grave sites is benefitting individuals and would be a private purpose trust fund.

Additionally, GASB 54 paragraph 16 states that when an appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. Additionally, committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action.

The Township maintained a Cemetery Endowment Fund permitted by Ohio Revised Code §517.15; however, it included monies from the following:

1. Charges added to the price regularly changed for burial lots for the purpose of maintaining, improving, or beautifying township cemeteries.
 - a. These should be presented in a permanent fund with a non-spendable fund balance.
2. Individual gift, devises, or bequests made for the maintenance, improvement, and beautification of any burial lot designated and named by the person making the gift, devise, or bequest.
 - a. These should be presented in a private purpose trust fund.

Although state statute allows this activity to be in one fund, maintaining separate funds may simplify financial reporting issues. The Township had \$700 in individual bequests for the maintenance of specific lots in addition to the funds received from the extra endowment fee. The individual bequests should have been presented as a Private Purpose Trust Fund rather than included in the Permanent Fund. The financial statements have been adjusted to reflect the reclassification. The financial statements have also been adjusted to properly reflect the non-spendable and restricted portions of the Permanent Fund. The Township should establish separate funds to appropriately account for these funds.

FINDING NUMBER 2014-001
(Continued)

Additionally, the Township's subsequent year appropriations exceeded estimated receipts at year-end 2013 and 2014; however, the amounts were not accurately reported as Assigned Fund Balance in the General Fund. The financial statements have been adjusted to reclassify General Fund assigned balance of \$61,195 and \$110,426 in 2013 and 2014, respectively. In addition, the Township's Road and Bridge fund tax levy represented inside millage. The fund balance was incorrectly reported as restricted fund balance rather than committed fund balance. The financial statements have been adjusted to properly report \$53,520 and \$87,652 in committed fund balance in the Special Revenue fund for 2013 and 2014, respectively. The Fiscal Officer should review GASB 54 and/or Auditor of State Bulletin 2011-004 to assure classifications are accurately reported to improve financial reporting.

Officials' Response:

We have reviewed/discussed this comment with Auditor of State personnel and will make every attempt to follow the suggested changes.



Dave Yost • Auditor of State

MCARTHUR TOWNSHIP

LOGAN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 13, 2015**