

MCKEAN TOWNSHIP
LICKING COUNTY
REGULAR AUDIT
JANUARY 1, 2014 – DECEMBER 31, 2015





Dave Yost • Auditor of State

Board of Trustees
McKean Township
1260 Sportsman Club Rd NW
Newark, OH 43055

We have reviewed the *Independent Auditor's Report* of McKean Township, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2014 through December 31, 2015. 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. McKean 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

July 13, 2016

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**MCKEAN TOWNSHIP
LICKING COUNTY**

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INDEPENDENT AUDITOR'S REPORT

McKean Township
Licking County
1260 Sportsman Club Road NW
Newark, Ohio 43055

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 McKean Township, Licking County, (the Township) as of and for the years ended December 31, 2015 and 2014.

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 opinions.

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.

Wilson, Shannon & Snow, Inc.

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McKean Township
Licking County
Independent Auditor's Report

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, 2015 and 2014, 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 McKean Township, Licking County as of December 31, 2015 and 2014, 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 10, 2016, 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.

Wilson, Shuman & Snow, Inc.

June 10, 2016
Newark, Ohio

**MCKEAN TOWNSHIP
LICKING 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>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Local Taxes	\$ 39,644	\$ 314,170	\$ -	\$ 353,814
Intergovernmental	31,009	146,155	-	177,164
Licenses, Permits, and Fees	3,894	-	-	3,894
Earnings on Investments	107	56	2	165
Other Revenue	-	7,089	-	7,089
	<u>74,654</u>	<u>467,470</u>	<u>2</u>	<u>542,126</u>
Total Cash Receipts				
	<u>74,654</u>	<u>467,470</u>	<u>2</u>	<u>542,126</u>
Cash Disbursements:				
Current:				
General Government	62,558	-	-	62,558
Public Safety	-	168,642	-	168,642
Public Works	-	278,025	-	278,025
Human Services	-	1,884	-	1,884
Debt Service:				
Redemption of Principal	-	14,035	-	14,035
Interest and Fiscal Charges	-	1,300	-	1,300
	<u>62,558</u>	<u>463,886</u>	<u>-</u>	<u>526,444</u>
Total Cash Disbursements				
	<u>62,558</u>	<u>463,886</u>	<u>-</u>	<u>526,444</u>
Total Receipts Over Disbursements	<u>12,096</u>	<u>3,584</u>	<u>2</u>	<u>15,682</u>
Other Financing Receipts and (Disbursements):				
Other Financing Sources	3,767	-	-	3,767
Sale of Assets	-	7,660	-	7,660
Other Financing Uses	(237)	-	-	(237)
	<u>3,530</u>	<u>7,660</u>	<u>-</u>	<u>11,190</u>
Total Other Financing Receipts/(Disbursements)				
	<u>3,530</u>	<u>7,660</u>	<u>-</u>	<u>11,190</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Receipts/(Disbursements)	15,626	11,244	2	26,872
Fund Cash Balances, January 1	21,464	96,748	262	118,474
Fund Cash Balances, December 31	<u>\$ 37,090</u>	<u>\$ 107,992</u>	<u>\$ 264</u>	<u>\$ 145,346</u>
Fund Cash Balance, December 31				
Restricted	\$ -	\$ 107,992	\$ 264	\$ 108,256
Assigned	37,090	-	-	37,090
Fund Cash Balance, December 31	<u>\$ 37,090</u>	<u>\$ 107,992</u>	<u>\$ 264</u>	<u>\$ 145,346</u>

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

**MCKEAN TOWNSHIP
LICKING COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Local Taxes	\$ 32,127	\$ 227,530	\$ -	\$ -	\$ 259,657
Intergovernmental	30,684	131,416	183,310	-	345,410
Licenses, Permits, and Fees	941	-	-	-	941
Earnings on Investments	32	28	-	3	63
Other Revenue	-	8,806	-	-	8,806
	<u>63,784</u>	<u>367,780</u>	<u>183,310</u>	<u>3</u>	<u>614,877</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	64,719	-	-	-	64,719
Public Safety	-	169,579	-	-	169,579
Public Works	383	178,737	-	-	179,120
Human Services	-	4,804	-	-	4,804
Debt Service:					
Redemption of Principal	-	11,647	-	-	11,647
Interest and Fiscal Charges	-	1,838	-	-	1,838
Capital Outlay	-	-	227,726	-	227,726
	<u>65,102</u>	<u>366,605</u>	<u>227,726</u>	<u>-</u>	<u>659,433</u>
Total Cash Disbursements					
Total Receipts Over (Under) Disbursements	<u>(1,318)</u>	<u>1,175</u>	<u>(44,416)</u>	<u>3</u>	<u>(44,556)</u>
Other Financing Receipts and (Disbursements):					
Loan Proceeds	-	-	44,416	-	44,416
Other Financing Sources	4,936	430	-	-	5,366
Other Financing Uses	(1,256)	-	-	-	(1,256)
	<u>3,680</u>	<u>430</u>	<u>44,416</u>	<u>-</u>	<u>48,526</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	2,362	1,605	-	3	3,970
Fund Cash Balances, January 1	19,102	95,143	-	259	114,504
Fund Cash Balances, December 31	<u>\$ 21,464</u>	<u>\$ 96,748</u>	<u>\$ -</u>	<u>\$ 262</u>	<u>\$ 118,474</u>
Fund Cash Balance, December 31					
Restricted	\$ -	\$ 96,748	\$ -	\$ 262	\$ 97,010
Assigned	21,464	-	-	-	21,464
Fund Cash Balance, December 31	<u>\$ 21,464</u>	<u>\$ 96,748</u>	<u>\$ -</u>	<u>\$ 262</u>	<u>\$ 118,474</u>

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

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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 McKean Township, Licking 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, cemetery maintenance, fire protection and emergency medical services

The Township participates in the Ohio Plan Risk Management, Inc., a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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 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 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

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

D. Fund Accounting

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

1. General Fund

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

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

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

Fire District Fund - This money receives taxes and intergovernmental money for fire protection of the Township persons and property.

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 fund:

OPWC Fund - The Township received a grant and loan proceeds from the State of Ohio for Sunnysdale Road project.

4. Fiduciary Funds

This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following permanent fund:

Cemetery Endowment Fund - This fund receives interest which may only be used for general maintenance and upkeep of the Township's cemetery.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 2015 and 2014 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. 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.

H. 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.

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance (Continued)

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.

2. EQUITY IN POOLED DEPOSITS

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

	<u>2015</u>	<u>2014</u>
Total deposits	<u>\$145,346</u>	<u>\$118,474</u>

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

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(CONTINUED)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$54,256	\$78,421	\$24,165
Special Revenue	453,836	475,130	21,294
Permanent	3	2	(1)
Total	\$508,095	\$553,553	\$45,458

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$75,719	\$62,795	\$12,924
Special Revenue	550,584	463,886	86,698
Permanent	164	0	164
Total	\$626,467	\$526,681	\$99,786

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,672	\$68,720	\$17,048
Special Revenue	367,139	368,210	1,071
Capital Projects	244,414	227,726	(16,688)
Permanent	3	3	0
Total	\$663,228	\$664,659	\$1,431

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$70,773	\$66,358	\$4,415
Special Revenue	458,962	366,605	92,357
Capital Projects	0	227,726	(227,726)
Permanent	160	0	160
Total	\$529,895	\$660,689	(\$130,794)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Projects – Ohio Public Works Commission Fund by \$227,726 for the year ended December 31, 2014 contrary to Ohio Revised Code Section 5705.41(B). The Township did not also comply with Ohio Administrative Code 117-2-02 (A) or Ohio Revised Code Section 5705.40 for the year ended December 31, 2015.

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(CONTINUED)**

4. PROPERTY TAX

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

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, 2015 was as follows:

	Principal	Interest Rate
Road Equipment Bonds	\$19,336	4.56%
Ohio Public Works Commission	42,566	0.00%
	\$61,902	

The Township issued road equipment bonds in 2011 for the purchase of a new Ford F-550 Truck and also to refinance the outstanding 2007 backhoe notes. The Township's taxing authority collateralized the notes. The Township also secured a no interest loan through the Ohio Public Works Commission in the amount of \$44,416 for purposes of improving Sunnyside Road. The Township's taxing authority collateralizes the loan.

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

	Road Equipment Bonds	OPWC Loan	Total
Year ending December 31:			
2016	\$13,485	\$1,850	\$15,335
2017	6,743	1,850	8,593
2018	0	1,850	1,850
2019	0	1,850	1,850
2020	0	1,850	1,850
2021-2025	0	9,250	9,250
2026-2030	0	9,250	9,250
2031-2035	0	9,250	9,250
2036-2039	0	5,566	5,566
Total	\$20,228	\$42,566	\$62,794

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(CONTINUED)**

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For years ended December 31, 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

7. RISK MANAGEMENT

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three years.

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(CONTINUED)**

7. RISK MANAGEMENT (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014 (the latest information available).

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	<u>(7,968,395)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.



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

McKean Township
Licking County
1260 Sportsman Club Road NW
Newark, Ohio 43055

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 the cash balances, receipts, and disbursements by fund type of McKean Township, Licking County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 10, 2016 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.

Internal Control Over Financial Reporting

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

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 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 Entity'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies. We consider findings 2015-001 and 2015-002 to be significant deficiencies.

Wilson, Shannon & Snow, Inc.

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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 items 2015-002 and 2015-003.

Township's Response to Findings

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

Purpose of this Report

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

Wilson, Shuman & Snow, Inc.

June 10, 2016
Newark, Ohio

**MCKEAN TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

Finding Number	2015-001
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Financial Statement Presentation – Significant Deficiency

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Township’s financial statements.

The Fiscal Officer did not correctly post receipts and disbursements to the Township’s accounting system and financial statements. The following posting errors were noted:

- In the Special Revenue Fund-Motor Vehicle License Tax Fund, Motor Vehicle License Taxes of \$13,856 and \$12,951 were reclassified from local taxes to intergovernmental for 2015 and 2014, respectively.
- In the Special Revenue Fund-Road and Bridge Fund, principal and interest payments were reclassified from public works to redemption of principal and interest and fiscal charges of \$14,035 and \$1,300 in 2015 and \$11,647 and \$1,838 in 2014.
- Rollback and homestead receipts were inadvertently posted as local taxes instead of intergovernmental receipts. Audit reclassifications totaling \$20,434 were necessary to properly present receipts recorded within the General and Special Revenue Road and Bridge and Fire District Funds as intergovernmental for 2015.
- Audit reclassifications were necessary to properly report \$37,090 and \$21,464 as assigned fund balance in the General Fund at December 31, 2015 and 2014, respectively.
- We also noted adjustments within the Ohio Public Works Commission Capital Projects Fund which have been reported under Finding 2015-002.

Not posting receipts and disbursements accurately to the ledgers resulted in the financial statements requiring audit reclassifications and adjustments; furthermore, inaccurate accounting records could make it difficult for the Board of Trustees to effectively monitor the Township’s activities or identify misstatements or errors in a timely manner. We recommend the Township’s Fiscal Officer takes steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions and Ohio Township Handbook.

Officials Response: The Township will develop procedures to verify receipts and disbursements are posted to the correct funds and accounts.

**MCKEAN TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

Finding Number	2015-002
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Recording and Budgeting On-Behalf Transactions – Significant Deficiency/Noncompliance

Ohio Administrative Code Section 117-2-02 (A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Ohio Revised Code Section 5705.40 requires that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation.

During 2014, the Township received grant and loan proceeds from the Ohio Public Works Commission for Sunnyside Road. The Ohio Public Works Commission disbursed money directly to the vendor for services provided. The Township Fiscal Officer did not post the grant or loan proceeds or the capital outlay expenditure to its financial records. As a result, receipts and disbursements were understated within the Township’s financial records and financial statements for 2014. Additionally, the Township Trustees did not amend appropriations for the amounts identified.

Adjustments with which the Township agrees are reflected in the accompanying financial statements. This also resulted in violation of Ohio Revised Code Section 5705.41(B) within the Ohio Public Works Commission Capital Projects Fund as this activity was not budgeted by the Township Trustees. (See Finding No. 2015-003).

We recommend the Township Fiscal Officer record all grant and loan proceeds and the corresponding expenditures in the Township’s ledgers.

Officials Response: The Township will properly account for these types of transactions in the future.

Finding Number	2015-003
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Noncompliance

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. We noted the following fund which had expenditures exceeding appropriations at December 31, 2014:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Noncompliance</u>
Capital Projects – OPWC Fund – Capital Outlay	\$227,726	\$0	(\$227,726)

We recommend that the Township comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. Furthermore, the Township should record all financial transactions which are paid on-behalf of the Township during the year within its accounting records and budget such amounts as described in Finding Number 2015-002.

Officials Response: The Township will amend its budget when these transactions are noted.

**MCKEAN TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-01	Financial Statement Presentation.	No	Repeated as Finding 2015-001.
2013-02	Cash Reconciliations.	Yes	NA.

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Dave Yost • Auditor of State

MCKEAN TOWNSHIP

LICKING 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 26, 2016**