

**MCKEAN TOWNSHIP
LICKING COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2007



Mary Taylor, CPA

Auditor of State

Board of Trustees
McKean Township
2367 Lundys Lane
Newark, Ohio 43055

We have reviewed the *Independent Auditors' Report* of McKean Township, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2007 through December 31, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 13, 2008

This Page is Intentionally Left Blank.

**MCKEAN TOWNSHIP
LICKING COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|---|-------------|
| INDEPENDENT AUDITORS' REPORT..... | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3 |
| BASIC FINANCIAL STATEMENTS: | |
| STATEMENT OF NET ASSETS - CASH BASIS | 9 |
| STATEMENT OF ACTIVITIES – CASH BASIS..... | 10 |
| FUND FINANCIAL STATEMENTS: | |
| STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES – GOVERNMENTAL FUNDS | 11 |
| STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS..... | 12 |
| STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCE– BUDGET AND ACTUAL - (BUDGETARY BASIS) – GENERAL FUND | 13 |
| STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – (BUDGETARY BASIS) –GAS TAX FUND..... | 14 |
| STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – (BUGETARY BASIS) – ROAD & BRIDGE FUND..... | 15 |
| STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – (BUDGETARY BASIS) – FIRE DISTRICT FUND..... | 16 |
| NOTES TO THE BASIC FINANCIAL STATEMENTS..... | 17 |
| REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 29 |
| SCHEDULE OF FINDINGS AND RESPONSES..... | 31 |
| SCHEDULE OF PRIOR AUDIT FINDINGS..... | 36 |

This Page is Intentionally Left Blank.



McKean Township
Licking County
2367 Lundys Lane
Newark, Ohio 43055

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McKean Township, Licking County, Ohio (the Township), as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive accounting basis 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 respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of McKean Township, Licking County, Ohio, as of December 31, 2007, and the respective changes in cash basis financial position thereof and the respective budgetary comparisons for the General, Gas Tax, Road & Bridge, and Fire District funds for the year then ended in conformity with the basis of accounting as described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2008 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Ten West Locust Street

Newark, Ohio 43055

(740) 345-6611

1-800-523-6611

FAX (740) 345-5635

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board Requires requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Wilson, Shuman & Snow, Inc.

July 20, 2008

**MCKEAN TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

This discussion and analysis of the McKean Township, Licking County, Ohio (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2007, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2007 are as follows:

- Net assets of governmental activities decreased \$7,677 or 5%. This decrease is primarily attributed to increased expenditures from the prior year, most notably the General Fund.
- The Township's general receipts are primarily property taxes and intergovernmental receipts. These receipts represent 88% of the total cash received for governmental activities during the year.
- The Township received a grant from the Ohio Public Works Commission totaling \$158,208 to widen and resurface Lafayette Road. This grant was not received in prior years.
- The Fire District Fund began receiving additional property tax monies associated with expanded services from Granville and Monroe Townships. Receipts and expenditures increased proportionately during 2007.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets – cash basis and the statement of activities – cash basis provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**MCKEAN TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets – cash basis and the statement of activities – cash basis reflect how the Township did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental type activities of the Township at year end. The statement of activities – cash basis compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

In the statement of net assets and the statement of activities, we divide the Township into the following type of activities:

- Governmental activities - Most of the Township's basic services are reported here, including fire, streets, and roads and bridges. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are split into one category: governmental.

- Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides.

Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

- The Township's major governmental funds are the General, Gas Tax, Road & Bridge, Fire District, and Ohio Public Works Commission Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**MCKEAN TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2007 compared to 2006 on a cash basis:

(Table 1)
Net Assets

| | Governmental Activities | |
|---------------------------|-------------------------|------------|
| | 2007 | 2006 |
| Assets | | |
| Cash and Cash Equivalents | \$ 136,048 | \$ 143,725 |
| Total Assets | \$ 136,048 | \$ 143,725 |
| Net Assets | | |
| Restricted for: | | |
| Transportation Services | 112,500 | 90,767 |
| Fire Services | 184 | 133 |
| Debt Service | 3,834 | 2,364 |
| Permanent Fund | 243 | 240 |
| Other Purposes | 8,130 | 7,884 |
| Unrestricted | 11,157 | 42,337 |
| Total Net Assets | \$136,048 | \$143,725 |

As mentioned previously, net assets of governmental activities decreased \$7,677 or 5% during 2007. The primary reasons contributing to the decreases in cash balances are as follows:

- General Fund expenditures increased \$5,817 while receipts decreased \$10,303 from 2006

**MCKEAN TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

Table 2 reflects the changes in net assets in 2007 and 2006.

(Table 2)
Changes in Net Assets

| | Governmental Activities 2007 | Governmental Activities 2006 | Change |
|--|------------------------------------|------------------------------------|------------------|
| Receipts: | | | |
| Program Receipts: | | | |
| Charges for Services and Sales | \$5,068 | \$9,706 | (\$4,638) |
| Operating Grants and Contributions | 93,812 | 100,168 | (6,356) |
| Capital Grants and Contributions | 158,208 | 0 | 158,208 |
| Total Program Receipts | <u>257,088</u> | <u>109,874</u> | <u>147,214</u> |
| General Receipts: | | | |
| Property and Other Local Taxes | 239,283 | 147,957 | 91,326 |
| Grants and Entitlements Not Restricted to Specific Programs | 58,977 | 58,529 | 448 |
| Interest | 4,711 | 2,300 | 2,411 |
| Miscellaneous | 1,090 | 3,237 | (2,147) |
| Notes Issued | 64,632 | 0 | 64,632 |
| Sale of Capital Assets | 0 | 0 | 0 |
| Total General Receipts | <u>368,693</u> | <u>212,023</u> | <u>156,670</u> |
| Total Receipts | <u>625,781</u> | <u>321,897</u> | <u>303,884</u> |
| Disbursements: | | | |
| General Government | 90,271 | 81,065 | 9,206 |
| Public Safety | 165,339 | 67,022 | 98,317 |
| Public Works | 200,626 | 119,700 | 80,926 |
| Health | 5,525 | 5,531 | (6) |
| Capital Outlay | 160,149 | 5,725 | 154,424 |
| Debt Service | 11,548 | 18,901 | (7,353) |
| Total Disbursements | <u>633,458</u> | <u>297,944</u> | <u>335,514</u> |
| Increase (Decrease) in Net Assets | (7,677) | 23,953 | (31,630) |
| Net Assets, January 1 | 143,725 | 119,772 | 23,953 |
| Net Assets, December 31 | <u>\$136,048</u> | <u>\$143,725</u> | <u>(\$7,677)</u> |

Program receipts represent 41% of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gasoline taxes and a grant through the Ohio Public Works Commission.

General receipts represent 59% of the Township's total receipts, and of this amount, 65% are local taxes. State grants and entitlements (16%) and note proceeds (18%) make up the balance of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the fiscal officer and trustees, as well as purchasing costs.

Public Safety is the costs of emergency medical and fire protection; Public Works disbursements are the costs of maintaining the Township roads as well as payroll costs for employees.

**MCKEAN TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for General Government, Public Safety, Public Works and Capital Outlay. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

| | Governmental Activities | | | |
|-----------------------|--------------------------------|-------------------------|---------------------------|-------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| | 2007 | 2007 | 2006 | 2006 |
| General Government | \$ 90,271 | \$ 86,453 | \$ 81,065 | \$ 75,008 |
| Public Safety | 165,339 | 165,339 | 67,022 | 67,022 |
| Public Works | 200,626 | 106,814 | 119,700 | 19,532 |
| Health | 5,525 | 4,275 | 5,531 | 1,882 |
| Capital Outlay | 160,149 | 1,941 | 5,725 | 5,725 |
| Debt Service | 11,548 | 11,548 | 18,901 | 18,901 |
| Total Expenses | \$ 633,458 | \$ 376,370 | \$ 297,944 | \$ 188,070 |

The dependence upon property taxes and intergovernmental receipts is apparent as these receipts represent 88% of the total cash received for governmental activities during the year.

The Township's Funds

Total governmental funds had receipts and other financing sources of \$625,781 and disbursements and other financing uses of \$633,458. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$31,180 as the result decreased receipts and increased expenditures.

General Fund receipts were less than disbursements by \$31,180 indicating that the General Fund is in a deficit spending situation. The Township will closely monitor its budget in future years to avoid a possible deficit.

The Gas Tax fund had receipts of \$86,474 and disbursements of \$59,979 noting an increase in fund balance to \$105,564 from \$79,069.

The Road & Bridge fund had receipts and other financing sources of \$125,426 and disbursements of \$130,480 noting a decrease in fund balance of \$5,054 to \$5,301 from \$10,355.

The Fire District fund had receipts of \$165,390 and disbursements of \$165,339 noting a slight increase in fund balance to \$184.

The Ohio Public Works Commission (OPWC) Fund had cash receipts and disbursements of \$158,208.

**MCKEAN TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2007, the Township did not amend its General Fund budget.

Final disbursements were budgeted at \$102,829 while actual disbursements were \$92,607. The Township experienced higher receipts than budgeted and appropriations were budgeted higher than actual disbursements.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2007, the Township's outstanding debt included \$64,632 in general obligation notes issued for the purchase of a Township backhoe. For further information regarding the Township's debt, refer to Note 10 to the basic financial statements.

Current Issues

The challenge for all Township's is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes which is limited because of the CAUV tax base and no industry income. Our newly prepared financial forecast predicts a deficit in 2008, therefore, the Trustees are committed to the public to operate within Township means. The Township has reviewed all current revenue sources and determined future increases are unlikely and have evaluated future disbursements to determine items of less immediate need. The Township expects to request a 2 mill road and bridge levy in 2008.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Phyllis Ellas, Fiscal Officer, McKean Township, 2367 Lundys Lane, Newark, Ohio 43055 or visit our website at www.mckeantownship.net for monthly news.

**MCKEAN TOWNSHIP
LICKING COUNTY**

*Statement of Net Assets - Cash Basis
December 31, 2007*

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$136,048</u> |
| <i>Total Assets</i> | <u><u>\$136,048</u></u> |
| | |
| Net Assets | |
| Restricted for: | |
| Transportation Services | \$112,500 |
| Fire Services | 184 |
| Debt Service | 3,834 |
| Other Purposes | 8,130 |
| Permanent Fund: | |
| Expendable | 100 |
| NonExpendable | 143 |
| Unrestricted | <u>11,157</u> |
| <i>Total Net Assets</i> | <u><u>\$136,048</u></u> |

See accompanying notes to the basic financial statements

MCKEAN TOWNSHIP
LICKING COUNTY

Statement of Activities - Cash Basis
For the Year Ended December 31, 2007

| | Cash Disbursements | Charges for Services and Sales | Program Cash Receipts | | Net (Cash Disbursements) Cash Receipts and Changes in Net Assets |
|---|-----------------------|--------------------------------------|--|-------------------------------------|--|
| | | | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | | |
| General Government | \$90,271 | \$3,818 | \$0 | \$0 | (\$86,453) |
| Public Safety | 165,339 | 0 | 0 | 0 | (165,339) |
| Public Works | 200,626 | 0 | 93,812 | 0 | (106,814) |
| Health | 5,525 | 1,250 | 0 | 0 | (4,275) |
| Capital Outlay | 160,149 | 0 | 0 | 158,208 | (1,941) |
| Debt Service | 11,548 | 0 | 0 | 0 | (11,548) |
| Total | \$633,458 | \$5,068 | \$93,812 | \$158,208 | (376,370) |
| General Receipts | | | | | |
| Property Taxes | | | | | 239,283 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 58,977 |
| Notes Issued | | | | | 64,632 |
| Interest | | | | | 4,711 |
| Miscellaneous | | | | | 1,090 |
| <i>Total General Receipts</i> | | | | | <u>368,693</u> |
| Change in Net Assets | | | | | (7,677) |
| <i>Net Assets Beginning of Year</i> | | | | | <u>143,725</u> |
| <i>Net Assets End of Year</i> | | | | | <u><u>\$136,048</u></u> |

See accompanying notes to the basic financial statements

**MCKEAN TOWNSHIP
LICKING COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007*

| | <u>General</u> | <u>Gas Tax</u> | <u>Road & Bridge</u> | <u>Fire District</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-----------------|------------------|--------------------------|----------------------|---|---|
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$11,157 | \$105,564 | \$5,301 | \$184 | \$13,842 | \$136,048 |
| <i>Total Assets</i> | <u>\$11,157</u> | <u>\$105,564</u> | <u>\$5,301</u> | <u>\$184</u> | <u>\$13,842</u> | <u>\$136,048</u> |
| Fund Balances | | | | | | |
| Unreserved: | | | | | | |
| Reported in: | | | | | | |
| General Fund | 11,157 | 0 | 0 | 0 | 0 | 11,157 |
| Special Revenue Funds | 0 | 105,564 | 5,301 | 184 | 9,765 | 120,814 |
| Debt Service Fund | 0 | 0 | 0 | 0 | 3,834 | 3,834 |
| Permanent Fund | 0 | 0 | 0 | 0 | 243 | 243 |
| <i>Total Fund Balances</i> | <u>\$11,157</u> | <u>\$105,564</u> | <u>\$5,301</u> | <u>\$184</u> | <u>\$13,842</u> | <u>\$136,048</u> |

See accompanying notes to the basic financial statements

**MCKEAN TOWNSHIP
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007*

| | General | Gas Tax | Road & Bridge | Fire District | OPWC | Other Governmental Funds | Total Governmental Funds |
|--|-----------------|------------------|-----------------|----------------|----------------|--------------------------------|--------------------------------|
| Cash Receipts | | | | | | | |
| Property and Other Local Taxes | \$24,733 | \$0 | \$54,258 | \$147,274 | \$0 | \$13,018 | \$239,283 |
| Licenses, Permits and Fees | 943 | 0 | 0 | 0 | 0 | 2,875 | 3,818 |
| Intergovernmental | 33,189 | 83,787 | 6,090 | 18,116 | 158,208 | 11,607 | 310,997 |
| Interest | 1,984 | 2,687 | 0 | 0 | 0 | 40 | 4,711 |
| Other | 578 | 0 | 446 | 0 | 0 | 1,316 | 2,340 |
| <i>Total Cash Receipts</i> | <u>61,427</u> | <u>86,474</u> | <u>60,794</u> | <u>165,390</u> | <u>158,208</u> | <u>28,856</u> | <u>561,149</u> |
| Cash Disbursements | | | | | | | |
| Current: | | | | | | | |
| General Government | 86,987 | 0 | 0 | 0 | 0 | 0 | 86,987 |
| Public Safety | 0 | 0 | 0 | 165,339 | 0 | 0 | 165,339 |
| Public Works | 395 | 59,979 | 130,480 | 0 | 0 | 9,772 | 200,626 |
| Health | 0 | 0 | 0 | 0 | 0 | 5,525 | 5,525 |
| Capital Outlay | 1,941 | 0 | 0 | 0 | 158,208 | 0 | 160,149 |
| Debt Service: | | | | | | | |
| Principal Retirement | 0 | 0 | 0 | 0 | 0 | 10,913 | 10,913 |
| Interest and Fiscal Charges | 0 | 0 | 0 | 0 | 0 | 635 | 635 |
| <i>Total Cash Disbursements</i> | <u>89,323</u> | <u>59,979</u> | <u>130,480</u> | <u>165,339</u> | <u>158,208</u> | <u>26,845</u> | <u>630,174</u> |
| <i>Excess of Cash Receipts Over (Under) Cash Disbursements</i> | <u>(27,896)</u> | <u>26,495</u> | <u>(69,686)</u> | <u>51</u> | <u>0</u> | <u>2,011</u> | <u>(69,025)</u> |
| Other Financing Sources (Uses) | | | | | | | |
| Sale of Notes | 0 | 0 | 64,632 | 0 | 0 | 0 | 64,632 |
| Other Financing Uses | (3,284) | 0 | 0 | 0 | 0 | 0 | (3,284) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(3,284)</u> | <u>0</u> | <u>64,632</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>61,348</u> |
| <i>Net Change in Fund Balances</i> | (31,180) | 26,495 | (5,054) | 51 | 0 | 2,011 | (7,677) |
| <i>Fund Balances Beginning of Year</i> | 42,337 | 79,069 | 10,355 | 133 | 0 | 11,831 | 143,725 |
| <i>Fund Balances End of Year</i> | <u>\$11,157</u> | <u>\$105,564</u> | <u>\$5,301</u> | <u>\$184</u> | <u>\$0</u> | <u>\$13,842</u> | <u>\$136,048</u> |

See accompanying notes to the basic financial statements

MCKEAN TOWNSHIP
LICKING COUNTY

*Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Balance - Budget and Actual -(Budgetary Basis)
General Fund
For the Year Ended December 31, 2007*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|----------|----------|---|
| | Original | Final | | |
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$26,866 | \$26,866 | \$24,733 | (\$2,133) |
| Licenses, Permits and Fees | 900 | 900 | 943 | 43 |
| Intergovernmental | 30,726 | 30,726 | 33,189 | 2,463 |
| Interest | 1,500 | 1,500 | 1,984 | 484 |
| Other | 500 | 500 | 578 | 78 |
| <i>Total Cash Receipts</i> | 60,492 | 60,492 | 61,427 | 935 |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 93,527 | 93,527 | 86,987 | 6,540 |
| Public Works | 1,000 | 1,000 | 395 | 605 |
| Capital Outlay | 5,000 | 5,000 | 1,941 | 3,059 |
| <i>Total Cash Disbursements</i> | 99,527 | 99,527 | 89,323 | 10,204 |
| <i>Excess of Cash Receipts Over (Under) Cash Disbursements</i> | (39,035) | (39,035) | (27,896) | 11,139 |
| Other Financing Sources (Uses) | | | | |
| Other Financing Uses | (3,302) | (3,302) | (3,284) | 18 |
| <i>Total Other Financing Sources (Uses)</i> | (3,302) | (3,302) | (3,284) | 18 |
| <i>Net Change in Fund Balance</i> | (42,337) | (42,337) | (31,180) | 11,157 |
| <i>Fund Balance Beginning of Year</i> | 42,337 | 42,337 | 42,337 | 0 |
| <i>Fund Balance End of Year</i> | \$0 | \$0 | \$11,157 | \$11,157 |

See accompanying notes to the basic financial statements

MCKEAN TOWNSHIP
LICKING COUNTY

*Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Balance - Budget and Actual -(Budgetary Basis)
Gas Tax Fund
For the Year Ended December 31, 2007*

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget |
|---------------------------------------|-------------------------|----------------|------------------|-------------------------------|
| | <u>Original</u> | <u>Final</u> | | Positive (Negative) |
| Cash Receipts | | | | |
| Intergovernmental | \$90,000 | \$90,000 | \$83,787 | (\$6,213) |
| Interest | 200 | 200 | 2,687 | 2,487 |
| Other | 0 | 0 | 0 | 0 |
| <i>Total Cash Receipts</i> | <u>90,200</u> | <u>90,200</u> | <u>86,474</u> | <u>(3,726)</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Public Works | 169,269 | 169,269 | 59,979 | 109,290 |
| <i>Total Cash Disbursements</i> | <u>169,269</u> | <u>169,269</u> | <u>59,979</u> | <u>109,290</u> |
| <i>Net Change in Fund Balance</i> | (79,069) | (79,069) | 26,495 | 105,564 |
| <i>Fund Balance Beginning of Year</i> | <u>79,069</u> | <u>79,069</u> | <u>79,069</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$0</u> | <u>\$0</u> | <u>\$105,564</u> | <u>\$105,564</u> |

See accompanying notes to the basic financial statements

MCKEAN TOWNSHIP

LICKING COUNTY

Statement of Cash Receipts, Cash Disbursements and Changes

In Fund Balance - Budget and Actual -(Budgetary Basis)

Road & Bridge Fund

For the Year Ended December 31, 2007

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------------|-----------------|---|
| | Original | Final | | |
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$58,722 | \$58,722 | \$54,258 | (\$4,464) |
| Intergovernmental | 198 | 198 | 6,090 | 5,892 |
| Other | 0 | 0 | 446 | 446 |
| <i>Total Cash Receipts</i> | <u>58,920</u> | <u>58,920</u> | <u>60,794</u> | <u>1,874</u> |
| Disbursements | | | | |
| Current: | | | | |
| Public Works | 69,275 | 133,907 | 130,480 | 3,427 |
| <i>Total Cash Disbursements</i> | <u>69,275</u> | <u>133,907</u> | <u>130,480</u> | <u>3,427</u> |
| <i>Excess of Cash Receipts Over (Under) Cash Disbursements</i> | <u>(10,355)</u> | <u>(74,987)</u> | <u>(69,686)</u> | <u>5,301</u> |
| Other Financing Sources (Uses) | | | | |
| Notes Issued | 0 | 64,632 | 64,632 | 0 |
| <i>Total Other Financing Sources (Uses)</i> | <u>0</u> | <u>64,632</u> | <u>64,632</u> | <u>0</u> |
| <i>Net Change in Fund Balance</i> | (10,355) | (10,355) | (5,054) | 5,301 |
| <i>Fund Balance Beginning of Year</i> | <u>10,355</u> | <u>10,355</u> | <u>10,355</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$0</u> | <u>\$0</u> | <u>\$5,301</u> | <u>\$5,301</u> |

See accompanying notes to the basic financial statements

MCKEAN TOWNSHIP
LICKING COUNTY

*Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Balance - Budget and Actual -(Budgetary Basis)
Fire District Fund
For the Year Ended December 31, 2007*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------|-------------------|---------------------|---|
| | Original | Final | | |
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$161,665 | \$161,665 | \$147,274 | (\$14,391) |
| Intergovernmental | 287 | 8,002 | 18,116 | 10,114 |
| <i>Total Cash Receipts</i> | <u>161,952</u> | <u>169,667</u> | <u>165,390</u> | <u>(4,277)</u> |
| Disbursements | | | | |
| Current: | | | | |
| Public Safety | 162,085 | 169,800 | 165,339 | 4,461 |
| <i>Total Cash Disbursements</i> | <u>162,085</u> | <u>169,800</u> | <u>165,339</u> | <u>4,461</u> |
| <i>Net Change in Fund Balance</i> | (133) | (133) | 51 | 184 |
| <i>Fund Balance Beginning of Year</i> | <u>133</u> | <u>133</u> | <u>133</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$184</u></u> | <u><u>\$184</u></u> |

See accompanying notes to the basic financial statements

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Note 1 – Reporting Entity

McKean Township, Licking County, Ohio (the Township), is a body politic and corporate 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 also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with Granville and Monroe Townships for fire protection. Police protection is provided by the Licking County Sheriff's Department.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township does not have any component units.

The Township participates in a public entity risk pool. Note 7 to the financial statements provide information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets – cash basis and the statement of activities – cash basis display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets – cash basis presents the cash balance of the governmental activities of the Township at year end. The statement of activities – cash basis compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into one category, governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are described below:

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (continued)

General Fund - This fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Gas Tax Fund – This fund accounts for intergovernmental receipts for the maintenance and repair of Township roads.

Road & Bridge Fund – This fund accounts for property tax and intergovernmental receipts for the maintenance and construction of Township roads.

Fire District Fund – This fund accounts for property tax and intergovernmental receipts in order to provide fire services to the Township residents.

Ohio Public Works Commission (OPWC) Fund – This fund receives grants from the Ohio Public Works Commission for road improvements.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”. During 2007, the Township had an interest bearing checking account and a repurchase agreement.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 was \$1,984.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township did not have restricted assets at December 31, 2007.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The Township did not have outstanding interfund loans at December 31, 2007.

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (continued)

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for cemetery maintenance.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available. Restricted net assets reported by the Township were not by enabling legislation.

N. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. The Township did not have designations at December 31, 2007. Unreserved fund balance indicates that a portion of fund balance is available for appropriation in future periods. The Township did not report fund balance reserves at December 31, 2007.

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. The Township did not have interfund transactions at December 31, 2007.

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (continued)

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Township did not have extraordinary or special items at December 31, 2007.

Note 3 – Compliance

The Township had expenditures which exceeded appropriations contrary to Ohio Revised Code Section 5705.41(B), an improper revenue posting contrary to Ohio Revised Code Section 5705.10, and did not certify expenditures in a timely manner contrary to Ohio Revised Code Section 5705.41(D).

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General, Gas Tax, Road & Bridge, and Fire District Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. Any differences between the budgetary basis and the cash basis is would be outstanding year end encumbrances which are treated as disbursements (budgetary basis) rather than as a reservation of fund balance and outstanding year end advances would be treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable. There were no differences between the budgetary basis and cash basis based on no outstanding encumbrances or advances at December 31, 2007.

Note 5 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 5 - Deposits and Investments (continued)

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the Township's deposits was \$47,011 and the bank balance was \$136,048. Regarding the Township's bank balance of \$136,048, \$86,048 of the Township's bank balance was exposed to custodial risk as discussed below, while \$50,000 was covered by the Federal Deposit Insurance Corporation.

The Township has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 5 - Deposits and Investments (continued)

Investments

As of December 31, 2007, the Township had the following investments and maturities:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities</u> <u>1 Year or less</u> |
|------------------------|-------------------|---|
| Repurchase Agreement | <u>\$89,037</u> | <u>\$89,037</u> |

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Township's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The securities underlying the Township's repurchase agreement are in the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government, which are not considered to have credit risk.

Concentration of Credit Risk: The Township places no limit on the amount it may invest in any one issuer; however state statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time.

Reconciliation of Cash, Cash Equivalents and Investments to the Statement of Net Assets

The following is a reconciliation of cash, cash equivalents and investments to the Statement of Net Assets as of December 31, 2007:

| | |
|---|------------------|
| | <u>Amounts</u> |
| Investments | \$89,037 |
| Carrying amount of deposits | <u>47,011</u> |
| Total Cash and Cash Equivalents – Statement of Net Assets | <u>\$136,048</u> |

Note 6– Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the Township. Property tax revenue received during 2007 for real and public utility property taxes represents collections of 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2007 taxes.

2007 real property taxes are levied after October 1, 2007, on assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of the appraised value. 2007 real property taxes are collected in and intended to finance 2008.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 6 – Property Taxes (continued)

2007 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments for machinery and equipment were 25 percent of true value and 23 percent of true value of inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009.

Real property taxes are payable annually and semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. For 2007, the due dates were February 19 and July 15.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The full tax rate for all Township operations for the year ended December 31, 2007, was \$7.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

| | |
|-------------------------------|----------------------------|
| Real Property | |
| Residential | \$24,943,690 |
| Agriculture | 10,697,750 |
| Commercial/Industrial/Mineral | 1,270,320 |
| Public Utility Property | |
| Personal | 1,710,310 |
| Tangible Personal Property | 145,470 |
| Total Assessed Value | <u><u>\$38,767,540</u></u> |

Note 7 – Risk Management

Risk Pool Membership

The Township belongs to 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 over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 7 – Risk Management (continued)

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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 fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2006 and 2005 (the latest information available):

| | 2006 | 2005 |
|-----------------|--------------------|--------------------|
| Assets | \$9,620,148 | \$8,219,430 |
| Liabilities | <u>(3,329,620)</u> | <u>(2,748,639)</u> |
| Members' Equity | <u>\$6,290,528</u> | <u>\$5,470,791</u> |

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

Note 8 – Defined Benefit Pension Plan

Plan Description – The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 8 – Defined Benefit Pension Plan (continued)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll.

The Township's contribution rate for 2007 was 13.85 percent of covered payroll. For the period January 1 through June 30, a portion of the Township's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Township of 14 percent.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$21,528, \$17,802 and \$14,796 respectively; 100 percent has been contributed for 2007, 2006 and 2005.

Note 9 – Postemployment Benefits

Plan Description – OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part b premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 10 – Debt

The Township’s long-term debt activity for the year ended December 31, 2007, was as follows:

| | Interest Rate | Balance December 31, 2006 | Additions | Reductions | Balance December 31, 2007 | Due Within One Year |
|--------------------------------|------------------|---------------------------------|-----------------|-------------------|---------------------------------|------------------------|
| <u>Governmental Activities</u> | | | | | | |
| General Obligation Notes: | | | | | | |
| 2005 Dump Truck | 4.60% | \$10,913 | \$0 | (\$10,913) | \$0 | \$0 |
| 2007 Backhoe | 5.18% | 0 | 64,632 | 0 | 64,632 | 9,453 |
| Total | | <u>\$10,913</u> | <u>\$64,632</u> | <u>(\$10,913)</u> | <u>\$64,632</u> | <u>\$9,453</u> |

The general obligation notes are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The following is a summary of the Township’s future annual debt service requirements:

| Year | G.O. Notes | |
|--------|-----------------|-----------------|
| | Principal | Interest |
| 2008 | \$9,453 | \$3,357 |
| 2009 | 9,951 | 2,858 |
| 2010 | 10,466 | 2,343 |
| 2011 | 11,009 | 1,800 |
| 2012 | 11,575 | 1,234 |
| 2013 | 12,178 | 631 |
| Totals | <u>\$64,632</u> | <u>\$12,223</u> |



Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

McKean Township
Licking County
2367 Lundys Lane
Newark, Ohio 43055

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McKean Township, Licking County, (the Township) as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 20, 2008, wherein we noted the Township prepared its financial statements on the cash basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 2007-001 through 2007-006.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

McKean Township
Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*
Page 2

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings 2007-002, 2007-004, and 2007-006 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated July 20, 2008.

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, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2007-001 through 2007-003.

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

We intend this report solely for the information and use of the Board of Trustees and management. We intend it for no one other than these specified parties.

Wilson, Shanna E. Snow, Inc.

Newark, Ohio
July 20, 2008

**MCKEAN TOWNSHIP
LICKING COUNTY**

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

| |
|--|
| FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

| | |
|----------------|----------|
| Finding Number | 2007-001 |
|----------------|----------|

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend monies unless it has been properly appropriated. The Ohio Public Works Commission (OPWC) Fund had expenditures exceeding appropriations at December 31, 2007:

| <u>Major Fund</u> | <u>Expenditures</u> | <u>Appropriations</u> | <u>Noncompliance</u> |
|-------------------|---------------------|-----------------------|----------------------|
| OPWC | \$158,208 | \$121,611 | (\$36,597) |

We recommend that the Township appropriate all expenditures to ensure that expenditures do not exceed appropriations throughout the year. This will help avoid possible fund deficits.

Official's response: The Township will monitor appropriations throughout the year to determine compliance.

| | |
|----------------|----------|
| Finding Number | 2007-002 |
|----------------|----------|

Ohio Revised Code Section 5705.10 requires that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

During 2007 the Township incorrectly posted rollback and homestead monies totaling \$1,580 to the Township Road and Bridge Fund instead of the Other Governmental Debt Service Fund, contrary to the semi-annual tax apportionment sheets provided by the County Auditor.

The adjustment indicated above has been reflected in the accompanying basic financial statements presented in this report.

We recommend the Township Fiscal Officer develop procedures to verify that revenues are posted to the appropriate fund and revenue account to prevent misstatements for financial reporting. In addition, the Trustees should review monthly transaction reports for improper postings.

Official's response: The Fiscal Officer will develop procedures to ensure that receipts are properly posted.

| | |
|----------------|----------|
| Finding Number | 2007-003 |
|----------------|----------|

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

**MCKEAN TOWNSHIP
LICKING COUNTY**

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

| |
|--|
| FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

| | |
|----------------|----------------------|
| Finding Number | 2007-003 (Continued) |
|----------------|----------------------|

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Revised Code Sections 5705.41(D)(1) and 5705.41(D)(3), respectively:

Then and Now Certificate - If the fiscal officer can certify that both at the time the contract or order was made and at the time that he/she is completing his/her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Blanket Certificate – Fiscal officers may prepare “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

We noted that 35% of expenditures tested were not certified by the Fiscal Officer prior to incurring the commitment. It was also found that none of the three exceptions noted above were utilized.

We recommend the Fiscal Officer certify the availability of funds prior to incurring the commitment or any obligations. In addition, the Fiscal Officer should notify all employees of the requirements of Ohio Revised Code Section 5705.41(D) and the importance of certifying availability of funds.

Official’s response: The Fiscal Officer will develop procedures to ensure expenditures are properly certified.

**MCKEAN TOWNSHIP
LICKING COUNTY**

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

| |
|--|
| FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

| | |
|----------------|----------|
| Finding Number | 2007-004 |
|----------------|----------|

Revenue and Expenditure Posting

The Ohio Township Manual, Ohio Administrative Code, and the Uniform Accounting Network manual provide for the proper classification of receipts and disbursements by a Township. We noted the following receipts and disbursements recorded by the Township which were incorrectly posted in 2007:

- Motor vehicle license fees were recorded as miscellaneous revenue in the Other Governmental Special Revenue Funds instead of intergovernmental;
- Rollback and homestead revenue of \$1,580 was posted as intergovernmental revenue in the Road and Bridge Fund instead intergovernmental revenue in the Other Governmental Debt Service Fund;
- Ohio Public Works Commission grant monies totaling \$158,208 was incorrectly recorded as miscellaneous revenue instead of intergovernmental revenue;
- Debt Service expenditures were not properly recorded as principal and interest within the accounting records.

We recommend the Fiscal Officer review the Ohio Township Manual, Ohio Administrative Code, and the Uniform Accounting Network manual for proper receipt and disbursement classifications to help ensure those receipts and disbursements are posted to correct line items.

Official's response: The Fiscal Officer will develop procedures to ensure revenues and expenditures are properly posted.

| | |
|----------------|----------|
| Finding Number | 2007-005 |
|----------------|----------|

Cemetery Receipts

The following control deficiencies were noted over cemetery receipts:

- The Fiscal Officer did not maintain an easily identifiable audit trail substantiating cemetery collections received. This would include the retention of receipts issued to customers as well as recording of receipts from openings, closings, sale of lots, and other cemetery receipts in a separate general ledger from the Township's computerized general ledger;
- The Fiscal Officer will collect prepaid receipts from openings, closings, sale of lots, and other cemetery receipts which are payable to the Fiscal Officer over a period of time. We noted that these prepaid cemetery receipts are accounted for on index cards for each customer and an easily identifiable audit trail is not maintained. Furthermore, nothing came to our attention to indicate approval from the Township Trustees authorizing the receipt of prepaid openings, closings, sale of lots, or other cemetery receipts received.

**MCKEAN TOWNSHIP
LICKING COUNTY**

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

| |
|--|
| FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

| | |
|----------------|----------------------|
| Finding Number | 2007-005 (Continued) |
|----------------|----------------------|

The above control deficiencies can result in an inability to manage and monitor operations in an effective manner. To strengthen existing operations, management should consider the following:

- The Fiscal Officer should retain all duplicate receipts issued and maintain a separate general ledger from the Township’s computerized general ledger. Maintaining this type of documentation will assist in reconciling collections and help provide an audit trail for the amounts recorded within the Township’s computerized general ledger;
- The Board of Trustees should adopt a policy for the receipt of prepaid openings, closings, sale of lots, and other cemetery receipts to ensure proper accountability of receipts over time.

Official’s response: The Township will develop procedures to account for and track cemetery receipts.

| | |
|----------------|----------|
| Finding Number | 2007-006 |
|----------------|----------|

Financial Reporting

The American Institute of Certified Public Accountants (AICPA), the national professional organization for certified public accountants, issued its Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. This establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client’s internal control over financial reporting. This new standard requires the auditor to report in writing to management and governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

We noted the following deficiencies when testing the Township’s internal control over financial reporting:

- The basic financial statements prepared by the Fiscal Officer and presented for audit were incomplete and required major revisions. This included the addition of significant note disclosures as well as additions to the Management Discussion & Analysis to comply with the Governmental Accounting Standards Board reporting requirements;
- We identified significant audit adjustments and reclassifications based on the improper posting of receipts and disbursements;
- The Township did not properly report the Ohio Public Works Commission (OPWC) fund as a major fund which required substantial revision to the basic financial statements when presented for audit.

**MCKEAN TOWNSHIP
LICKING COUNTY**

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

| |
|--|
| FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

| | |
|----------------|----------------------|
| Finding Number | 2007-006 (Continued) |
|----------------|----------------------|

The compilation and presentation of the financial statements and the related footnotes is the responsibility of management. This responsibility remains intact if management decides to outsource this function for efficiency purposes or any other reason.

We recommend that the Township develop and continue to monitor internal control procedures associated with the drafting and preparation of the financial statements and footnotes in order to enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes. In addition, while developing these procedures management should reduce its reliability on the Township’s auditors to perform this internal control procedure as auditors must remain independent.

Official’s response: The Township will develop procedures to address the financial reporting concerns identified.

**MCKEAN TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u> |
|----------------|--|------------------|---|
| 2006-001 | Ohio Revised Code Section 5705.41(D) requires expenditures to be certified in a timely manner. | No | Re-issued as Finding Number 2007-003. |
| 2006-002 | Ohio Revised Code Section 5705.41(B) requires appropriations exceed expenditures. | No | Re-issued as Finding Number 2007-001. |
| 2006-003 | Revenue and Expenditure Posting | No | Re-issued as Finding Number 2007-004. |
| 2006-004 | Cemetery Receipts | No | Re-issued as Finding Number 2007-005. |
| 2006-005 | Financial Reporting | No | Re-issued as Finding Number 2007-006. |



Mary Taylor, CPA
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
NOVEMBER 6, 2008**