



**MCKEAN TOWNSHIP
LICKING COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 -1998



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**MCKEAN TOWNSHIP
LICKING COUNTY**

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**STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

McKean Township
Licking County
2367 Lundy's Lane
Newark, Ohio 43055

To the Board of Trustees:

We have audited the accompanying financial statements of McKean Township, Licking County, Ohio, (the Township) as of and for the years ended December 31, 1999 and December 31, 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2000 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

June 15, 2000

**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, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$21,348	\$68,978	\$6,404	\$96,730
Intergovernmental	35,301	71,035	845	107,181
Licenses, Permits, and Fees	682	5,798	0	6,480
Earnings on Investments	1,977	0	0	1,977
Other Revenue	612	0	0	612
	<u>59,920</u>	<u>145,811</u>	<u>7,249</u>	<u>212,980</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	50,187	42,978	147	93,312
Public Safety	0	111,868	0	111,868
Public Works	4,191	0	0	4,191
Health	3,197	0	0	3,197
Miscellaneous	412	0	0	412
Debt Service:				
Redemption of Principal and Interest	0	506	10,420	10,926
Total Cash Disbursements	<u>57,987</u>	<u>155,352</u>	<u>10,567</u>	<u>223,906</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,933</u>	<u>(9,541)</u>	<u>(3,318)</u>	<u>(10,926)</u>
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets	<u>2,676</u>	<u>0</u>	<u>0</u>	<u>2,676</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,609	(9,541)	(3,318)	(8,250)
Fund Cash Balances, January 1, 1999	<u>48,208</u>	<u>71,205</u>	<u>3,318</u>	<u>122,731</u>
Fund Cash Balances, December 31, 1999	<u>\$52,817</u>	<u>\$61,664</u>	<u>\$0</u>	<u>\$114,481</u>

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

MCKEAN TOWNSHIP
LICKING COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCE
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Fiduciary Fund Type</u>
	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	\$0
Operating Cash Disbursements	0
Net Receipts Over/(Under) Disbursements	0
Fund Cash Balance, January 1, 1999	220
Fund Cash Balance, December 31, 1999	<u><u>\$220</u></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, 1998**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$19,447	\$62,885	\$5,834	\$0	\$88,166
Intergovernmental	42,046	65,205	775	261,083	369,109
Licenses, Permits, and Fees	1,148	8,900	0	0	10,048
Earnings on Investments	3,043	0	0	0	3,043
Other Revenue	5,690	0	0	0	5,690
	<u>71,374</u>	<u>136,990</u>	<u>6,609</u>	<u>261,083</u>	<u>476,056</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	60,614	11,139	120	0	71,873
Health	0	2,700	0	0	2,700
Debt Service:					
Redemption of Principal and Interest			3,180	0	3,180
Capital Outlay	0	104,861	0	261,083	365,944
	<u>60,614</u>	<u>118,700</u>	<u>3,300</u>	<u>261,083</u>	<u>443,697</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	<u>10,760</u>	<u>18,290</u>	<u>3,309</u>	<u>0</u>	<u>32,359</u>
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets	<u>1,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	11,760	18,290	3,309	0	33,359
Fund Cash Balances, January 1, 1998	<u>36,448</u>	<u>52,915</u>	<u>9</u>	<u>0</u>	<u>89,372</u>
Fund Cash Balances, December 31, 1998	<u>\$48,208</u>	<u>\$71,205</u>	<u>\$3,318</u>	<u>\$0</u>	<u>\$122,731</u>

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

**MCKEAN TOWNSHIP
LICKING COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCE
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Fiduciary Fund Type</u>
	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	<u>\$0</u>
Operating Cash Disbursements	<u>0</u>
Net Receipts Over/(Under) Disbursements	0
Fund Cash Balance, January 1, 1998	<u>220</u>
Fund Cash Balance, December 31, 1998	<u><u>\$220</u></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, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

McKean Township, Licking County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, and cemetery maintenance. The Township contracts with the Village of Granville to provide fire and ambulance services.

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

B. Basis of Accounting

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

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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.

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township retired a note used to purchase a road grader.

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

4. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects . The Township had the following significant Capital Project Fund:

Issue II Fund - This fund received grant money from the State of Ohio and Licking County to repair roads in the Township.

5. Fiduciary Funds (Nonexpendable Trust Fund)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following Fiduciary Fund:

Cemetery Bequest Fund - This fund is used to help maintain the cemetery with any interest earned on its balance.

D. 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.

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.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Unpaid Vacation Leave

Employees are entitled to cash payments for unused vacation leave in certain circumstances, such as upon leaving employment. Unpaid vacation leave is not reflected as liabilities under the basis of accounting used by the Township.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$114,701	\$122,951

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 1999 and December 31, 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$75,009	\$62,596	(\$12,413)
Special Revenue	203,867	145,811	(58,056)
Debt Service	10,119	7,249	(2,870)
Total	\$288,995	\$215,656	(\$73,339)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$97,219	\$57,987	\$39,232
Special Revenue	202,327	155,352	46,975
Debt Service	10,567	10,567	0
Total	\$310,113	\$223,906	\$86,207

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,140	\$72,374	\$28,234
Special Revenue	127,350	136,990	9,640
Debt Service	6,409	6,609	200
Capital Projects	238,710	261,083	22,373
Total	\$416,609	\$477,056	\$60,447

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$80,636	\$60,614	\$20,022
Special Revenue	180,288	118,700	61,588
Debt Service	6,410	3,300	3,110
Capital Projects	238,710	261,083	(22,373)
Total	\$506,044	\$443,697	\$62,347

The Township Clerk did not certify and encumber funds prior to expenditures in accordance with Section 5705.41(D) during the audit period.

4. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**MCKEAN TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

5. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

6. RISK MANAGEMENT

The Township is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

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

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

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

McKean Township
Licking County
2367 Lundy's Lane
Newark, Ohio 43055

To the Board of Trustees:

We have audited the accompanying financial statements of McKean Township, Licking County, Ohio (the Township), as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated June 15, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of finding as item 1999-40645-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 15, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 15, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

JIM PETRO
Auditor of State

June 15, 2000

**MCKEAN TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDING
DECEMBER 31, 1999 AND 1998**

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

FINDING NUMBER 1999-40645-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states in part that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

Prior certification of funds by the Clerk was not obtained for all expenditures in 1998 and 1999.

The Clerk should certify funds before each payment is made through the issuance of a regular, blanket or super blanket purchase order. For blanket certificates, one blanket certificate may be issued for each line item appropriation and must not exceed \$5,000. For super blanket certificates, more than one certificate can be outstanding per line item appropriation and the certificate must exceed \$5,000. These blanket certificates should be canceled at the end of each fiscal year.

Also, as an alternative, the Clerk can issue then and now certificates for expenses up to \$1,000. Then and now certificates allow the Clerk to certify that both at the time the expenditure was made and at the time that the certification is completed, sufficient funds are available. These certificates can be certified by the Clerk without subsequent authorization from the Board of Trustees. However, then and now certificates issued by the Clerk over \$1,000 must be authorized by the Board of Trustees within thirty days after payment.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
AUGUST 1, 2000**