

**MCKEAN TOWNSHIP
LICKING COUNTY, OHIO**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020





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Columbus, Ohio 43215
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Board of Trustees
McKean Township
1260 Sportman Club Road
Newark, OH 43055

We have reviewed the *Independent Auditor's Report* of the McKean Township, Licking County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2020 through December 31, 2021. 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. The McKean Township is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

October 18, 2022

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**MCKEAN TOWNSHIP
LICKING COUNTY, OHIO
Regular Audit
For the Years Ended December 31, 2021 and 2020**

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of McKean Township, Licking County, Ohio (the Township), which comprises the cash balances, receipts and disbursements for each governmental fund type as of and for the year ended December 31, 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type as of and for the year ended December 31, 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township, as of December 31, 2021, or the changes in financial position thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinions regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
September 28, 2022

**McKEAN TOWNSHIP
LICKING COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
All Governmental Fund Types
For the Year Ended December 31, 2021**

	<u>Governmental Fund Types</u>			<u>Totals- (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Receipts:				
Property and Other Local Taxes	\$ 54,451	\$ 390,416	\$ -	\$ 444,867
Intergovernmental	31,521	286,965	-	318,486
Licenses, Permits and Fees	5,926	4,475	-	10,401
Earnings on Investments	122	11	3	136
Miscellaneous	4,822	3,058	-	7,880
Total Receipts	96,842	684,925	3	781,770
Disbursements:				
Current:				
General Government	105,511	-	-	105,511
Public Safety	-	196,489	-	196,489
Public Works	-	174,229	-	174,229
Health	5,000	1,730	-	6,730
Capital Outlay	-	229,518	-	229,518
Debt Service:				
Principal Retirement	-	50,547	-	50,547
Interest and Fiscal Charges	-	4,473	-	4,473
Total Disbursements	110,511	656,986	-	767,497
Excess of Receipts Over/(Under) Disbursements	(13,669)	27,939	3	14,273
Other Financing Receipts				
Sale of Bonds	-	183,935	-	183,935
Total Other Financing Receipts	-	183,935	-	183,935
Net Change in Fund Cash Balances	(13,669)	211,874	3	198,208
Fund Cash Balance, January 1, 2021	80,679	288,483	276	369,438
Fund Cash Balance, December 31, 2021	\$ 67,010	\$ 500,357	\$ 279	\$ 567,646

See Accompanying Notes to the Financial Statements.

McKean Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of McKean Township, Licking County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. Fire and emergency medical services are provided by Granville and Monroe Townships.

Public Entity Risk Pool

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, which is organized on a fund type basis.

Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported 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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Road and Bridge The road and bridge fund accounts for and reports that portion of voted real estate taxes and intergovernmental revenue restricted for the maintenance and repair of roads within the Township.

Fire District Fund The fire district fund accounts for and reports that portion of voted real estate taxes and intergovernmental revenues restricted for fire operations and emergency services within and outside the Township.

McKean Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies - *Continued*

Fund Accounting – (continued)

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

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

Budgetary Process

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

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

Estimated Resources - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances - The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2021 budgetary activity appears in Note 3.

Deposits and Investments

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

McKean Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies – *Continued*

Capital Assets

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable – The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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

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

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

McKean Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,350	\$96,842	\$5,492
Special Revenue	750,435	868,860	118,425
Permanent	-	3	3

2021 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$154,100	\$110,511	\$43,589
Special Revenue	761,300	656,986	104,314
Permanent	-	-	-

Note 5 – Deposits

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township’s deposit and investment accounts are as follows:

	2021
<i>Cash Management Pool:</i>	
Demand deposits	\$567,646
Total deposits	\$567,646

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the Township is holding \$0 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

McKean Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 6 – Property Taxes

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

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

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

Note 7 – Risk Management

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

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

Effective November 1, 2010 (through October 31, 2017), the corridor is for losses paid is between 60% and 70% of casualty premiums earned in the first \$250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 members as of December 31, 2021.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021.

Assets	\$ 21,777,439
Liabilities	<u>(15,037,383)</u>
Members' Equity	<u>\$ 6,740,056</u>

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

McKean Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2021.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0.0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2021.

Note 10 – Debt

Debt outstanding at December 31, 2021, was as follows:

	Principal	Interest Rate
2017 Equipment Bonds	\$9,805	3.30%
OPWC Sunnyside Road Resurfacing	32,388	0,00%
2019 Equipment Bonds	15,264	3.39%
2021 Equipment Bonds	106,547	3.28%
2021 Equipment Bonds	56,809	3.27%
Total	\$220,813	

In 2015, the Township entered into a loan agreement with the Ohio Public Works Commission (OPWC) for the Sunnyside Road Resurfacing project totaling \$44,416.01. The loan is 0% interest for a term of 24 years payable in semi-annual payments of \$925.33.

In 2017, the Township issued \$50,000 Township Equipment Bonds to acquire a truck and related equipment. The bonds bear interest at 3.30% and are payable in monthly installments of \$906.13.

In 2019, the Township issued \$53,000 Township Equipment Bonds to acquire a truck and related equipment. The bonds bear interest at 3.39% and are payable in monthly installments of \$1,550.55.

McKean Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 10 – Debt – (Continued)

In 2021, the Township issued \$123,935 Township Equipment Bonds to acquire a tractor and mower. The bonds bear interest of 3.28% and are payable in monthly installments of \$2,242.70.

In 2021, the Township also issued \$60,000 Township Equipment bonds to acquire a road grader. The bonds bear interest at 3.27% and are payable in monthly installments of \$1,752.05.

The Township debt is supported by the full faith and credit of the Township and is payable from unvoted property tax receipts and intergovernmental receipts from the Road and Bridge and Gasoline Tax funds to the extent that other resources are not available to meet annual principal payments.

Amortization

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

Year Ending December 31:	2017 Equipment Bonds	OPWC	2019 Equipment Bonds	2021 Equipment Bonds	2021 Equipment Bonds
2022	\$9,968	\$1,850	\$15,500	\$26,912	\$21,025
2023	-	1,850	-	26,912	21,025
2024	-	1,850	-	26,912	17,520
2025	-	1,850	-	26,912	-
2026	-	1,850	-	6,728	-
2027-2031	-	9,250	-	-	-
2032-2036	-	9,250	-	-	-
2037-2038	-	4,638	-	-	-
Total	<u>\$9,968</u>	<u>\$32,388</u>	<u>\$15,500</u>	<u>\$114,376</u>	<u>\$59,570</u>

Note 11 – Fund Balances

Included in fund balance are amounts the Township cannot spend, including the unexpendable corpus of the permanent funds. At year end, the balance of this amount is as follows:

Fund Balances	Permanent
Nonspendable: Corpus	\$ 100

The fund balance of special revenue funds is either restricted or committed. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted or committed amounts in the special revenue and permanent funds would include the outstanding encumbrances.

McKean Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Township received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and additional recovery from emergency.

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type as of and for the year ended December 31, 2021, and the related notes to the financial statements of McKean Township, Licking County, (the Township) and have issued our report thereon dated September 28, 2022, wherein we noted that the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings as items 2021-001 through 2021-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Audit Findings as item 2021-004.

We also noted matters not requiring inclusion in this report that were reported to the Township's management in a separate letter dated September 28, 2022.

Township's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Township's responses to the findings identified in our audit and described in the accompanying corrective action plan. The Township's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
September 28, 2022

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements for each governmental fund type as of and for the year ended December 31, 2020, and related notes of McKean Township, Licking County (the Township).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determined, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2020, and the changes in financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts, and disbursements for each governmental fund type as of and for the year ended December 31, 2020, and the related notes of the Township, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. As discussed in Note 11 to the financial statements, the Township made changes to its cash basis reporting model. We did not modify our opinions regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
September 28, 2022

McKEAN TOWNSHIP
LICKING COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
All Governmental Fund Types
For the Year Ended December 31, 2020

	<u>Governmental Fund Types</u>			<u>Totals- (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Receipts:				
Property and Other Local Taxes	\$ 53,968	\$ 375,247	\$ -	\$ 429,215
Intergovernmental	29,476	366,582	-	396,058
Licenses, Permits and Fees	12,551	-	-	12,551
Earnings on Investments	684	228	1	913
Miscellaneous	15,296	-	-	15,296
	<u>111,975</u>	<u>742,057</u>	<u>1</u>	<u>854,033</u>
Total Receipts				
Disbursements:				
Current:				
General Government	90,378	-	-	90,378
Public Safety	-	210,553	-	210,553
Public Works	-	167,060	-	167,060
Health	8,040	-	-	8,040
Capital Outlay	-	217,074	-	217,074
Debt Service:				
Principal Retirement	-	40,158	-	40,158
Interest and Fiscal Charges	-	2,374	-	2,374
Total Disbursements	<u>98,418</u>	<u>637,219</u>	<u>-</u>	<u>735,637</u>
Net Change in Fund Cash Balances	13,557	104,838	1	118,396
Fund Cash Balance, January 1, 2020	<u>67,122</u>	<u>183,645</u>	<u>275</u>	<u>251,042</u>
Fund Cash Balance, December 31, 2020	<u>\$ 80,679</u>	<u>\$ 288,483</u>	<u>\$ 276</u>	<u>\$ 369,438</u>

See Accompanying Notes to the Financial Statements.

McKean Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of McKean Township, Licking County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. Fire protection and emergency medical services are provided by Granville and Monroe Townships.

Public Entity Risk Pool

The Township participates in the Ohio Plan Risk Management, Inc., a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, which is organized on a fund type basis.

Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported 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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Road and Bridge The road and bridge fund accounts for and reports that portion of voted real estate taxes and intergovernmental revenue restricted for the maintenance and repair of roads within the Township.

Fire District Fund The fire district fund accounts for and reports that portion of voted real estate taxes and intergovernmental revenues restricted for fire operations and emergency services within and outside the Township.

McKean Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies – (continued)

Fund Accounting – (continued)

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

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

Budgetary Process

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

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

Estimated Resources - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

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

A summary of 2020 budgetary activity appears in Note 3.

Deposits and Investments

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

McKean Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies – (continued)

Capital Assets

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable – The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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

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

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 10.

McKean Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,162	\$111,975	\$44,813
Special Revenue	731,843	742,057	10,214
Permanent	3	1	(2)

2020 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$124,300	\$101,028	\$23,272
Special Revenue	679,788	642,482	37,306
Permanent	178	-	178

Note 4 - Deposits

To improve cash management, cash received by the Township is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit and investment accounts are as follows:

<i>Cash Management Pool:</i>	2020
Demand deposits	\$369,438
Total deposits	\$369,438

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Township is holding \$13,446 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

McKean Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 5 – Property Taxes

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

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

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

Note 6 – Risk Management

Risk Pool Membership

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM's property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

McKean Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 – Risk Management - continued

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

Assets	\$ 18,826,974
Liabilities	<u>(13,530,267)</u>
Members’ Equity	<u>\$ 5,296,707</u>

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2020.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020.

Note 9 – Debt

Debt outstanding at December 31, 2020, was as follows:

	Principal	Interest Rate
2017 Equipment Bonds	\$20,161	3.30%
OPWC Sunnyside Road Surfacing	34,239	0,00%
2019 Equipment Bonds	33,025	3.39%
Total	\$87,425	

McKean Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 9 – Debt - Continued

In 2015, the Township entered into a loan agreement with the Ohio Public Works Commission (OPWC) for the Sunnyside Road Resurfacing project totaling \$44,416.01. The loan has a 0% interest for a term of 24 years payable in semi-annual payments of \$925.33.

In 2017, the Township issued \$50,000 Township Equipment Bonds to acquire a truck and related equipment. The bonds bear interest at 3.30% and are payable in monthly installments of \$906.13.

In 2019, the Township issued \$53,000 Township Equipment Bonds to acquire a truck and related equipment. The bonds bear interest at 3.39% and are payable in monthly installments of \$1,550.

The Township debt is supported by the full faith and credit of the Township and is payable from unvoted property tax receipts and intergovernmental receipts from the Road and Bridge and Gasoline Tax funds to the extent that other resources are not available to meet annual principal payments.

Amortization

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

Year Ending December 31:	2017 Equipment Bonds	OPWC	2019 Equipment Bonds
2021	\$10,873	\$1,850	\$18,600
2022	9,968	1,850	15,500
2023	-	1,850	-
2024	-	1,850	-
2025	-	1,850	-
2026-2030	-	9,250	-
2031-2035	-	9,250	-
2036-2038	-	6,489	-
Total	\$20,841	\$34,239	\$34,100

McKean Township
Licking County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 10 – Fund Balances

Included in fund balance are amounts the Township cannot spend, including the unexpendable corpus of the permanent fund. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Permanent	Total
Nonspendable:				
Corpus	\$ -	\$ -	\$ 100	\$ 100
Outstanding Encumbrances	2,610	5,263	-	7,873
Total	\$2,610	\$5,263	\$100	\$7,973

The fund balance of special revenue funds is either restricted or committed. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted or committed amounts in the special revenue and permanent funds include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 11 – Change in Accounting Principle

For 2020, the Township has made a change to their cash basis reporting model by removing the fund balance classifications from the combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) – all governmental fund types.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The Township’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Township did not apply for or receive any CARES Act funding.

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type as of and for the year ended December 31, 2020, and the related notes of McKean Township, Licking County (the Township) and have issued our report thereon dated September 28, 2022, wherein we noted that the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. In addition, we noted the change in the Township's reporting model for 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings as items 2021-001 through 2021-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 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 Audit Findings as item 2021-004.

We also noted matters not requiring inclusion in this report that were reported to the Township's management in a separate letter dated September 28, 2022.

Township's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
September 28, 2022

MCKEAN TOWNSHIP
LICKING COUNTY

Schedule of Audit Findings
December 31, 2021 and 2020

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

Finding Number 2021-001 – Material Weakness

Notes to the Financial Statements

The notes to the financial statements for 2020 and 2021 required significant revisions, which were agreed to by Township management and are reflected in the accompanying notes to the financial statements. We noted the following:

- The Summary of Significant Accounting Policies – was missing information for both years.
- The Deposits note was not updated with the additional required disclosure information for both years.
- The Budgetary Activity note did not include proper amounts for Budgeted Receipts, Actual Receipts, Appropriation Authority, and Budgetary Expenditures. In addition, the Budgetary Activity note did not include Permanent fund activity.
- The risk management note reflected the incorrect information for both years.
- The Debt note principal balance outstanding for 2020 was not correct and the amortization schedules for both years were incomplete.
- The fund balance and postemployment benefits notes were not included in 2020 and 2021.
- The change in accounting principle footnote was not included for 2020 and the COVID footnote was not included in 2021.

The Township did not have an internal control process in place to help ensure the notes to the financial statements filed on the Auditor of State of Ohio HINKLE system were complete and accurate. The Township should file complete and accurate annual financial reports with the Auditor of State. The Township should utilize the financial statement and footnote shells available on the Auditor of State of Ohio website at <http://www.ohioauditor.gov/references/shells.html> to help ensure all material note disclosures are included in the financial reporting package.

Management's Response:

See Corrective Action Plan on page 35.

Finding Number 2021-002 – Material Weakness

Audit Adjustments and Reclassifications

During 2021 and 2020, errors were noted in the Township's financial statements that required audit adjustments, and reclassifications, the most significant of which are as follows:

MCKEAN TOWNSHIP
LICKING COUNTY

Schedule of Audit Findings –(continued)
December 31, 2021 and 2020

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

Finding Number 2021-002 – Material Weakness – (continued)

Audit Adjustments and Reclassifications – (continued)

- In 2020, transactions totaling \$54,589 were not recorded until 2021 as a fund balance adjustment. These transactions have been properly reflected in the 2020 audit report.
- 2019 audit adjustments were not recorded as fund balance adjustments but rather as current year transactions in 2020.
- In 2021, transactions totaling \$4,588 were recorded twice and improperly reflected on the bank reconciliation as outstanding items. These transactions have been reversed in the 2021 audit report.
- In 2021, transactions netting, \$22,907 were erroneously recorded as fund balance adjustments. The transactions included the sale of bonds for \$123,935 and the corresponding capital outlay expenditure, \$14,226 general government expenditures and \$8,681 public works expenditures. These transactions have been properly reflected in the 2021 audit report.
- In 2020, a grant from the Ohio Public Works Commission in the amount of \$171,488 and the corresponding capital outlay were not recorded.
- Rollback and homestead receipts were recorded as real estate taxes instead of intergovernmental receipts in the amount of \$42,252 and \$43,263 for 2020 and 2021, respectively.
- Permissive motor vehicle taxes totaling \$3,975 and \$6,598 in 2020 and 2021, respectively, were recorded as local taxes rather than intergovernmental receipts.
- American Rescue Plan Act funds of \$85,581 were erroneously recorded as other financing sources in the general fund in 2021.
- In 2020, receipts totaling \$5,556 were erroneously recorded as other financing sources rather than licenses, permits and fees and miscellaneous receipts.
- In 2021, the sale of bonds for \$60,000 were erroneously recorded as other financing sources.
- In 2020, a miscellaneous receipt for \$9,556 was erroneously recorded as license, permits and fees.
- In 2020, debt service payments of \$24,410 were erroneously classified as public works.
- In 2021, \$1,877 in payroll taxes were erroneously recorded to public safety.
- In 2020 and 2021, the cost of road resurfacing projects of \$45,586 and \$45,583, respectively were reclassified from public works to capital outlay.
- In 2020, the cost of a fence for the cemetery totaling \$6,634 was erroneously recorded in the road and bridge fund rather than the general fund which is where all of the cemetery receipts were recorded.
- In 2021, prior year payroll tax withholdings totaling \$8,282 were erroneously recorded as interest expense in the general fund. They have been reclassified to general government and public works in the general and road and bridge funds.
- In 2021 and 2020, \$6,000 and \$7,772, respectively, of other financing uses were reclassified to general government and health.

MCKEAN TOWNSHIP
LICKING COUNTY

Schedule of Audit Findings –(continued)
December 31, 2021 and 2020

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

Finding Number 2021-002 – Material Weakness – (continued)

Audit Adjustments and Reclassifications –(continued)

The accompanying financial statements and the Township’s records have been adjusted to properly reflect these transactions.

Sound financial reporting is the responsibility of the Township and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Township adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use the Ohio Township Handbook, the Uniform Accounting Network Manual, and other Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements.

Management’s Response:

See Corrective Action Plan on page 35.

Finding Number 2021-003 – Material Weakness

Bank Reconciliations

The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances on a timely basis. The following issues were noted:

- Reconciliations for the first eight months of 2021 were not completed until October.
- There was an “other adjusting factors” amount of \$54,569.47 on the reconciliation for December 31, 2020. This was later identified as unrecorded transactions and processed as a fund balance adjustment in 2021. An audit adjustment was required to properly record these transactions in 2020.
- Several reconciliations contained large adjustments in order for them to balance. These were all identified and resolved as of December 31, 2021.
- The December 31, 2021 reconciliation contained outstanding electronic items totaling \$4,588 in error as noted in Finding Number 2021-002.

The lack of proper reconciliations resulted in numerous errors which remained undetected and/or uncorrected until the audit. The extensive problems with these reconciliations resulted in the need for the Township to obtain assistance from various sources.

MCKEAN TOWNSHIP
LICKING COUNTY

Schedule of Audit Findings –(continued)
December 31, 2021 and 2020

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

Finding Number 2021-003 – Material Weakness –(continued)

Bank Reconciliations –(continued)

We recommend the Fiscal Officer prepare detailed bank reconciliations on a timely basis that include all bank account balances being reconciled to total fund balances and with support for all reconciling items or other adjusting factors. Bank reconciliations should be presented to the Board for review and signature and used in managing the Township.

Management’s Response:

See Corrective Action Plan on page 35.

Finding Number 2021-004 – Non-Compliance

Payroll Taxes and Tax Filings

26 U.S.C. § 3404 provides if the employer is in the United States, or a state, or political subdivision thereof, or the District of Columbia, or any agency instrumentality of any one or more of the foregoing, the return of the amount deducted and withheld upon any wages may be made by any officer or employee of the United States, or of such State, or political subdivision, or of the District of Columbia, or of such agency or instrumentality, as the case may be, having control of the payment of such wages, or appropriately designated for that purpose.

Ohio Revised Code § 5747.06 (A) requires, in part, that every employer, including the state and its political subdivisions, shall deduct and withhold from compensation, state income tax paid to each employee for each pay period.

Ohio Rev. Code § 5747.13 (A), states, in part, if any employer collects the tax imposed by § 5747.02 and fails to remit the tax as required by law, or fails to collect the tax, the employer is personally liable for any amount collected that the employer fails to remit, or any amount that the employer fails to collect.

The Township did not pay in a timely manner all of the required payroll withholding taxes due to the State of Ohio Department of Taxation during the current and prior audit period.

While the payroll records indicated state income taxes and school district taxes were withheld from the employees’ and officials’ gross pay, the amounts withheld for the years 2018, 2019 and 2020 were not remitted to the appropriate agencies as required. This can result in a significant tax liability, plus penalties and interest for the Township. The Township remitted these taxes for all three years in December 2021. However, the Township has not been assessed penalties and interest as of the date of this report.

MCKEAN TOWNSHIP
LICKING COUNTY

Schedule of Audit Findings –(continued)
December 31, 2021 and 2020

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

Finding Number 2021-004 – Non-Compliance – (continued)

Payroll Taxes and Tax Filings-(continued)

We recommend the Fiscal Officer remit state, federal, and unemployment taxes withheld on a timely basis. The Township should review all applicable guidance for preparing, filing and payment of these taxes so that the Township meets all requirements and avoids potential significant liabilities.

Although tax deposits were made, we noted that 941 tax filings were not completed by the Township for 2021 and that a W-2 submitted was missing wage information for one employee.

Management's Response

See Corrective Action Plan on page 35.

MCKEAN TOWNSHIP
LICKING COUNTY
For the Years Ended December 31, 2021 and 2020

SCHEDULE OF PRIOR AUDIT FINDINGS-PREPARED BY MANAGEMENT

FINDING NUMBER	FINDING SUMMARY	STATUS	ADDITIONAL INFORMATION
2019-001	Ohio Revised Code Section 117.38 - Notes to the Financial Statements	Not corrected	
2019-002	Audit Adjustments and Reclassifications	Not corrected	
2019-003	Bank Reconciliations	Not corrected	
2019-004	Ohio Revised Code Section 5705.41(B) Expenditures Exceed Appropriations	Corrected	
2019-005	Remittance of Payroll Taxes	Corrected in 2021	

**MCKEAN TOWNSHIP
LICKING COUNTY
For the Years Ended December 31, 2021 and 2020**

CORRECTIVE ACTION PLAN – PREPARED BY MANAGEMENT

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2021-001	The Township will determine the financial statements and notes to the financial statements are complete and accurate.	December 31, 2022	Lindsey Hoskinson, Fiscal Officer
2021-002	Many of the items noted in this finding were incurred prior to the term of the current fiscal officer who is working to correct the issues. The fiscal officer and the board will review the monthly financial information in order to verify all transactions are properly posted and reflected in the Township's accounting records.	Immediately	Lindsey Hoskinson, Fiscal Officer Board members
2021-003	Most of items noted in this finding were due to significant turnover during the period. The current fiscal officer has been working to correct the previous inaccuracies. The Township will complete detailed bank reconciliations properly on a timely basis and present them to the Board for approval.	Immediately	Lindsey Hoskinson, Fiscal Officer Board members
2021-004	The Township will submit accurate and timely tax filings.	Immediately	Lindsey Hoskinson, Fiscal Officer

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OHIO AUDITOR OF STATE KEITH FABER



MCKEAN TOWNSHIP

LICKING COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/10/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov