



**Auditor of State
Betty Montgomery**

LICKING TOWNSHIP
LICKING COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Licking Township
Licking County
6737 White Chapel Road, P.O. Box 222
Jacksontown, Ohio 43030

To the Board of Trustees:

We have audited the accompanying financial statements of Licking Township, Licking County, Ohio, (the Township) as of and for the years ended December 31, 2003, and December 31, 2002. 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 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 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.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio Governments.

We believe that our audit provides 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2003, and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2004, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 20, 2004

**LICKING TOWNSHIP
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

| | Governmental Fund Types | | | | Fiduciary Fund Type | Totals (Memorandum Only) |
|--|-------------------------|--------------------|-----------------|---------------------|-------------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Non-Expendable Trust | |
| Cash Receipts: | | | | | | |
| Local Taxes | \$96,509 | \$302,919 | \$0 | \$0 | \$0 | \$399,428 |
| Intergovernmental | 196,633 | 136,216 | 0 | 308,225 | 0 | 641,074 |
| Licenses, Permits, and Fees | 9,253 | 2,030 | 0 | 0 | 0 | 11,283 |
| Earnings on Investments | 5,264 | 158 | 0 | 0 | 321 | 5,743 |
| Other Revenue | 6,212 | 20,645 | 0 | 0 | 0 | 26,857 |
| Total Cash Receipts | 313,871 | 461,968 | 0 | 308,225 | 321 | 1,084,385 |
| Cash Disbursements: | | | | | | |
| Current: | | | | | | |
| General Government | 256,087 | 0 | 0 | 0 | 0 | 256,087 |
| Public Safety | 0 | 160,991 | 0 | 0 | 0 | 160,991 |
| Public Works | 0 | 241,927 | 0 | 0 | 0 | 241,927 |
| Health | 14,964 | 4,810 | 0 | 0 | 0 | 19,774 |
| Capital Outlay | 58 | 211,126 | 0 | 308,225 | 0 | 519,409 |
| Total Cash Disbursements | 271,109 | 618,854 | 0 | 308,225 | 0 | 1,198,188 |
| Total Receipts Over/(Under) Disbursements | 42,762 | (156,886) | 0 | 0 | 321 | (113,803) |
| Other Financing Receipts and (Disbursements): | | | | | | |
| Proceeds from Sale of Public Debt: | | | | | | |
| Other Proceeds from Sale of Public Debt | 0 | 145,497 | 0 | 0 | 0 | 145,497 |
| Transfers-In | 19,168 | 1,016 | 0 | 0 | 0 | 20,184 |
| Transfers-Out | (1,000) | 0 | (16) | (19,168) | 0 | (20,184) |
| Other Sources | 2,000 | 0 | 0 | 0 | 0 | 2,000 |
| Total Other Financing Receipts/(Disbursements) | 20,168 | 146,513 | (16) | (19,168) | 0 | 147,497 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 62,930 | (10,373) | (16) | (19,168) | 321 | 33,694 |
| Fund Cash Balances, January 1 | 422,819 | 226,135 | 16 | 19,168 | 11,244 | 679,382 |
| Fund Cash Balances, December 31 | \$485,749 | \$215,762 | \$0 | \$0 | \$11,565 | \$713,076 |
| Reserve for Encumbrances, December 31 | \$0 | \$121 | \$0 | \$0 | \$0 | \$121 |

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

**LICKING TOWNSHIP
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

| | Governmental Fund Types | | | | Fiduciary Fund Type | Totals (Memorandum Only) |
|---|-------------------------|--------------------|-----------------|---------------------|-------------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Non-Expendable Trust | |
| Cash Receipts: | | | | | | |
| Local Taxes | \$75,414 | \$277,935 | \$7,793 | \$0 | \$0 | \$361,142 |
| Intergovernmental | 147,954 | 110,223 | 0 | 0 | 0 | 258,177 |
| Licenses, Permits, and Fees | 6,745 | 3,250 | 0 | 0 | 0 | 9,995 |
| Earnings on Investments | 6,776 | 206 | 0 | 0 | 406 | 7,388 |
| Other Revenue | 7,717 | 25,957 | 0 | 0 | 0 | 33,674 |
| Total Cash Receipts | 244,606 | 417,571 | 7,793 | 0 | 406 | 670,376 |
| Cash Disbursements: | | | | | | |
| Current: | | | | | | |
| General Government | 149,423 | 0 | 0 | 0 | 0 | 149,423 |
| Public Safety | 21 | 109,725 | 0 | 0 | 0 | 109,746 |
| Public Works | 0 | 146,731 | 0 | 0 | 0 | 146,731 |
| Health | 13,149 | 2,990 | 0 | 0 | 0 | 16,139 |
| Purchased Services | 0 | 0 | 0 | 0 | 925 | 925 |
| Debt Service: | | | | | | |
| Redemption of Principal | 0 | 13,407 | 7,287 | 0 | 0 | 20,694 |
| Interest and Fiscal Charges | 0 | 494 | 503 | 0 | 0 | 997 |
| Capital Outlay | 3,228 | 45,633 | 0 | 81,933 | 0 | 130,794 |
| Total Cash Disbursements | 165,821 | 318,980 | 7,790 | 81,933 | 925 | 575,449 |
| Total Receipts Over/(Under) Disbursements | 78,785 | 98,591 | 3 | (81,933) | (519) | 94,927 |
| Other Financing Receipts and (Disbursements): | | | | | | |
| Transfers-In | 0 | 80,400 | 0 | 101,101 | 0 | 181,501 |
| Transfers-Out | (139,501) | (42,000) | 0 | 0 | 0 | (181,501) |
| Total Other Financing Receipts/(Disbursements) | (139,501) | 38,400 | 0 | 101,101 | 0 | 0 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (60,716) | 136,991 | 3 | 19,168 | (519) | 94,927 |
| Fund Cash Balances, January 1 | 483,535 | 89,144 | 13 | 0 | 11,763 | 584,455 |
| Fund Cash Balances, December 31 | \$422,819 | \$226,135 | \$16 | \$19,168 | \$11,244 | \$679,382 |
| Reserve for Encumbrances, December 31 | \$0 | \$121 | \$0 | \$0 | \$0 | \$121 |

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

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Licking 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 road and bridge maintenance, cemetery maintenance, fire protection and emergency medical 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. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund 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.

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Fire Fund – This fund receives property tax money for the protection of Township persons and property.

3. Debt Service Fund

The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

Note Retirement Fund – This fund is used to accumulate resources for the payment of a Township building construction note.

4. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Fund:

Issue II Fund - The Township received a grant from the State of Ohio for the Licking Trails Project.

5. Fiduciary Fund (Non-Expendable Trust Fund)

This fund is used to account for resources restricted by legally binding trust agreements. The Township had the following significant Fiduciary Fund:

Cemetery Trust Fund – This fund receives interest money for maintaining cemetery plots specified by the trust benefactor.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. Unencumbered appropriations lapse at year end.

2. 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 also approve estimated resources.

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. 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. The Township did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. 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.

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | <u>2003</u> | <u>2002</u> |
|--------------------------------|-------------------------|-------------------------|
| Demand deposits | \$673,576 | \$639,882 |
| Certificates of Deposit | <u>39,500</u> | <u>39,500</u> |
| Total deposits and investments | <u><u>\$713,076</u></u> | <u><u>\$679,382</u></u> |

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

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

| 2003 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$235,747 | \$335,039 | \$99,292 |
| Special Revenue | 418,257 | 608,481 | 190,224 |
| Capital Projects | 0 | 308,225 | 308,225 |
| Non-Expendable Trust | 400 | 321 | (79) |
| Total | \$654,404 | \$1,252,066 | \$597,662 |

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$658,567 | \$272,109 | \$386,458 |
| Special Revenue | 643,513 | 618,975 | 24,538 |
| Debt Service | 16 | 16 | 0 |
| Capital Projects | 19,168 | 327,393 | (308,225) |
| Non-Expendable Trust | 2,144 | 0 | 2,144 |
| Total | \$1,323,408 | \$1,218,493 | \$104,915 |

| 2002 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$283,796 | \$244,606 | (\$39,190) |
| Special Revenue | 437,749 | 497,971 | 60,222 |
| Debt Service | 9,270 | 7,793 | (1,477) |
| Capital Projects | 101,101 | 101,101 | 0 |
| Non-Expendable Trust | 10,117 | 406 | (9,711) |
| Total | \$842,033 | \$851,877 | \$9,844 |

| 2002 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$767,690 | \$305,322 | \$462,368 |
| Special Revenue | 527,466 | 361,101 | 166,365 |
| Debt Service | 9,283 | 7,790 | 1,493 |
| Capital Projects | 101,101 | 81,933 | 19,168 |
| Non-Expendable Trust | 2,830 | 925 | 1,905 |
| Total | \$1,408,370 | \$757,071 | \$651,299 |

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, in both 2002 and 2003 the Township budgetary expenditures exceeded appropriation authority in several funds and the Township made inter-fund transfers without obtaining proper authorization.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, 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.

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

| | Principal | Interest Rate |
|------------------------------|-----------|---------------|
| Saulsbury Fire Rescue Pumper | \$145,497 | 4.79% |

In 2002, the Township paid off an equipment storage building note, backhoe lease and fire truck lease.

In 2003, the Township entered into a lease/purchase agreement with Saulsbury Fire Rescue Inc., for an emergency pumper fire truck. Per the term of the lease, ownership of the truck will transfer to the Township after five years. However, the Township has the option to cancel the lease.

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

| | Saulsbury Fire Rescue Pumper - |
|--------------------------|-----------------------------------|
| Year ending December 31: | |
| 2004 | \$33,411 |
| 2005 | 33,411 |
| 2006 | 33,411 |
| 2007 | 33,411 |
| 2008 | 33,411 |
| Total | \$167,055 |

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RETIREMENT SYSTEM

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The 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 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

7. RISK POOL MEMBERSHIP

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK POOL MEMBERSHIP (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

| <u>Casualty Coverage</u> | <u>2003</u> | <u>2002</u> |
|--------------------------|---------------------|---------------------|
| Assets | \$27,792,223 | \$23,757,036 |
| Liabilities | (11,791,300) | (9,197,512) |
| Retained earnings | <u>\$16,000,923</u> | <u>\$14,559,524</u> |

| <u>Property Coverage</u> | <u>2003</u> | <u>2002</u> |
|--------------------------|--------------------|--------------------|
| Assets | \$6,791,060 | \$6,596,996 |
| Liabilities | (750,956) | (1,204,326) |
| Retained earnings | <u>\$6,040,104</u> | <u>\$5,392,670</u> |

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Auditor of State Betty Montgomery

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

Licking Township
Licking County
6737 White Chapel Road, P.O. Box 222
Jacksontown, Ohio 43030

To the Board of Trustees:

We have audited the financial statements of Licking Township, Licking County, Ohio, (the Township) as of and for the years ended December 31, 2003, and December 31, 2002, and have issued our report thereon dated July 20, 2004, wherein we noted that the Township's financial transactions were processed using the Auditor of States Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2003-001 through 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 20, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting 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.

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Licking Township
Licking County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 20, 2004

**LICKING TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-001

Certification of Funds

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

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

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

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

Fifty-nine percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**LICKING TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-001 (Continued)

Certification of Funds (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases according to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2003-002

Transfer of Funds

Ohio Rev. Code Sections 5705.14, addresses the transfer of funds and states that no transfer shall be made from one fund of a subdivision to any other fund unless the transfer meets one of the exceptions contained in that section. The exceptions are stated in sections 5705.14(A) through (H). In addition, certain transfers not authorized pursuant to section 5705.14 may nonetheless be accomplished by more rigorous transfer procedures set out in Ohio Rev. Code sections 5705.15 and 5705.16 (which include approval by the Tax Commissioner and the Court of Common Pleas). Except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members of the legislative authority. Transfers from the general fund require a resolution passed by a simple majority of the members.

In 2002, and contrary to the above Ohio Rev. Code Sections, transfers from the Gasoline Tax and Motor Vehicle License Tax Funds were made to cover matching requirements related to an Issue II project. These transfers were not approved by the Tax Commissioner and the Court of Common Pleas. The General Fund transfer was not approved by the Trustees in the minutes of the Township.

In 2003, the unused portion of the transfer proceeds from 2002 in the Capital Projects Fund was transferred to the General Fund

| | Transfers Out of Fund | Transfers Into Fund | Amount |
|-------------|------------------------------|----------------------------|---------------|
| 2003 | Capital Projects | General | \$19,168 |
| 2002 | General | Road and Bridge | 10,000 |
| | Motor Vehicle License | Capital Projects | 8,000 |
| | Gasoline Tax | Capital Projects | 34,000 |

All future Issue II projects should be handled in accordance with Auditor of State Bulletin 2002-004 which gives guidance on matching requirements and includes a discussion of transfer requirements and issues.

**LICKING TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-003

Expenditures Exceeding Appropriations

Ohio Rev. Code Section 5705.41(B) states in part that no subdivision or taxing unit is to make any expenditure of money unless it has been appropriated as provided by such chapter.

As of December 31, 2002 and December 31, 2003, the Township had expenditures exceeding appropriations at the object level, the Township's legal level of control for the following funds:

| 2002 - Object Level | Appropriation Authority | Total Disbursements | Variance |
|------------------------------------|------------------------------------|--------------------------------|-----------------|
| General Fund | | | |
| Salaries - Trustees | \$26,495 | \$27,012 | (\$517) |
| Salaries - Trustees - General | 12,000 | 13,883 | (1,883) |
| Vol. Fireman's Depend. Fund | 40,000 | 40,666 | (666) |
| County Auditor and Treas. Fees | 1,300 | 1,463 | (163) |
| Election Expenses | 100 | 687 | (587) |
| Telephone | 1,500 | 5,112 | (3,612) |
| Postage | 300 | 325 | (25) |
| Advertising | 1,500 | 1,938 | (438) |
| Property Insurance Premiums | 10,000 | 11,190 | (1,190) |
| Office Supplies | 1,000 | 1,484 | (484) |
| Operating Transfers Out | 0 | 139,501 | (139,501) |
| MVL Tax Fund | | | |
| Operating Transfers Out | 0 | 8,000 | (8,000) |
| Gasoline Tax Fund | | | |
| Operating Transfers Out | 0 | 34,000 | (34,000) |
| Road and Bridge Fund | | | |
| Garbage and Trash Removal | 0 | 92 | (92) |
| Other - Insurance and Bonding | 30,000 | 39,994 | (9,994) |
| Small Tools and Minor Equipment | 0 | 60 | (60) |
| Other - Other Expense | 0 | 2,442 | (2,442) |
| Machinery, Equipment and Furniture | \$42,000 | \$49,040 | (\$7,040) |

| 2003 - Object Level | Appropriation Authority | Total Disbursements | Variance |
|----------------------------|------------------------------------|--------------------------------|-----------------|
| Fire Operation Fund | | | |
| Capital Outlay | \$0 | \$145,497 | (\$145,497) |

The Clerk should periodically compare actual expenditures plus outstanding encumbrances to appropriations to avoid potential overspending. Additionally, the Clerk should ensure that actual receipts are within estimated resources throughout the year and certify amendments to the original estimates as new funding becomes available.

**LICKING TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|---|------------------|---|
| 2001-40645-001 | Revised Code 5705.41 (D), Certification of Funds Prior to Obligation | No | Reissued as Finding 2003-001 |
| 2001-40645-002 | Revised Code 5705.39, Appropriations Exceed Estimated Resources | Yes | |
| 2001-40645-003 | Revised Code 5705.40, Amending and Supplementing Appropriation Measures | No | Included with Finding 2003-003 |



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LICKING 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
SEPTEMBER 7, 2004**