



**LICKING TOWNSHIP
MUSKINGUM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LICKING TOWNSHIP
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REPORT OF INDEPENDENT ACCOUNTANTS

Licking Township
Muskingum County
8615 Black Run Road
Nashport, Ohio 43830

To the Board of Trustees:

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

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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. 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 generally accepted accounting principles.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2000, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

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

Jim Petro
Auditor of State

June 23, 2000

**LICKING TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$39,058	\$78,936	\$12,275	\$130,269
Intergovernmental	29,072	96,530		125,602
Special Assessments			5,727	5,727
Interest	1,087			1,087
Other Revenue	120	3,627		3,747
	<u>69,337</u>	<u>179,093</u>	<u>18,002</u>	<u>266,432</u>
Total Cash Receipts				
	<u>69,337</u>	<u>179,093</u>	<u>18,002</u>	<u>266,432</u>
Cash Disbursements:				
Current:				
General Government	78,709			78,709
Public Safety		76,337		76,337
Public Works		126,489		126,489
Health		1,629		1,629
Debt Service:				
Redemption of Principal			15,950	15,950
Interest and Fiscal Charges			1,874	1,874
Capital Outlay		44,230		44,230
	<u>78,709</u>	<u>248,685</u>	<u>17,824</u>	<u>345,218</u>
Total Cash Disbursements				
	<u>78,709</u>	<u>248,685</u>	<u>17,824</u>	<u>345,218</u>
Total Receipts Over/(Under) Disbursements	<u>(9,372)</u>	<u>(69,592)</u>	<u>178</u>	<u>(78,786)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes		39,410		39,410
	<u>0</u>	<u>39,410</u>	<u>0</u>	<u>39,410</u>
Total Other Financing Receipts/(Disbursements)				
	<u>0</u>	<u>39,410</u>	<u>0</u>	<u>39,410</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(9,372)</u>	<u>(30,182)</u>	<u>178</u>	<u>(39,376)</u>
Fund Cash Balances, January 1	<u>22,788</u>	<u>69,481</u>	<u>7,797</u>	<u>100,066</u>
Fund Cash Balances, December 31	<u><u>\$13,416</u></u>	<u><u>\$39,299</u></u>	<u><u>\$7,975</u></u>	<u><u>\$60,690</u></u>

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

**LICKING TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$39,986	\$89,539	\$	\$129,525
Intergovernmental	29,385	68,522		97,907
Special Assessments			9,029	9,029
Interest	1,724			1,724
Other Revenue	7,703	937		8,640
Total Cash Receipts	<u>78,798</u>	<u>158,998</u>	<u>9,029</u>	<u>246,825</u>
Cash Disbursements:				
Current:				
General Government	77,762			77,762
Public Safety		50,918		50,918
Public Works		74,442		74,442
Health		4,647		4,647
Debt Service:				
Redemption of Principal			5,000	5,000
Interest and Fiscal Charges			1,300	1,300
Total Cash Disbursements	<u>77,762</u>	<u>130,007</u>	<u>6,300</u>	<u>214,069</u>
Total Receipts Over/(Under) Disbursements	<u>1,036</u>	<u>28,991</u>	<u>2,729</u>	<u>32,756</u>
Other Financing Receipts/(Disbursements):				
Advances-In		1,500		1,500
Advances-Out		(1,500)		(1,500)
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>1,036</u>	<u>28,991</u>	<u>2,729</u>	<u>32,756</u>
Fund Cash Balances, January 1	<u>21,752</u>	<u>40,490</u>	<u>5,068</u>	<u>67,310</u>
Fund Cash Balances, December 31	<u>\$22,788</u>	<u>\$69,481</u>	<u>\$7,797</u>	<u>\$100,066</u>

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

**LICKING TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Debt Service Funds

The debt service funds are used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Funds:

Note Retirement Fund - This fund receives tax monies for payment of note indebtedness.

Special Assessment Fund - This fund receives special assessment tax monies for payment of indebtedness related to the capital improvement in which the tax was assessed.

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

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

E. Property, Plant and Equipment

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

F. Unpaid Vacation and Sick Leave

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

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

2. EQUITY IN POOLED CASH

The Township maintains a cash 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>1999</u>	<u>1998</u>
Demand deposits	<u>\$60,690</u>	<u>\$100,066</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

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

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,626	\$69,337	\$3,711
Special Revenue	175,071	218,503	43,432
Debt Service	29,685	18,002	(11,683)
Total	<u>\$270,382</u>	<u>\$305,842</u>	<u>\$35,460</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$105,508	\$78,709	\$26,799
Special Revenue	267,803	248,685	19,118
Debt Service	24,073	17,824	6,249
Total	<u>\$397,384</u>	<u>\$345,218</u>	<u>\$52,166</u>

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,790	\$78,798	\$16,008
Special Revenue	157,475	160,498	3,023
Debt Service	15,578	9,029	(6,549)
Total	<u>\$235,843</u>	<u>\$248,325</u>	<u>\$12,482</u>

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

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$84,281	\$77,762	\$6,519
Special Revenue	204,803	131,507	73,296
Debt Service	15,890	6,300	9,590
Total	\$304,974	\$215,569	\$89,405

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 payment, 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.

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, 1999, was as follows:

	Principal	Interest Rate
General Obligation Notes - Truck	\$10,000	6.5%
General Obligation Notes - Tractor	13,410	5.5%
General Obligation Notes - Mower & Loader	26,000	6.5%
Total	\$49,410	

The general obligation notes were issued to finance the purchase of new equipment to be used for Township road maintenance. The notes are collateralized solely by the Township's taxing authority.

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

5. DEBT (Continued)

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

Year ending December 31:	General Obligation Notes
2000	\$15,716
2001	14,725
2002	8,941
2003	8,480
2004	8,019
Subsequent	2,358
Total	<u>\$58,239</u>

6. RETIREMENT SYSTEMS

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

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

7. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Official's liability
- Automotive liability, comprehensive, and collision

The Township also provides health, dental, and life insurance coverage to elected officials through a private carrier.

8. RELATED PARTY TRANSACTIONS

The Township Clerk is an employee of a vendor from which the Township acquired hauling services for road materials during the year. The Township paid \$6,308 in 1999 and \$3,219 in 1998 for these purchases.

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

Licking Township
Muskingum County
8615 Black Run Road
Nashport, Ohio 43830

To the Board of Trustees:

We have audited the accompanying financial statements of Licking Township, Muskingum County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 23, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-41060-001 and 1999-41060-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 23, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 1999-41060-003 and 1999-41060-004.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 1999-41060-003 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 23, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 23, 2000

**LICKING TOWNSHIP
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	1999-41060-001
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Noncompliance Citation

Ohio Rev. Code § 5705.10 states that all revenue derived from a specific source shall be credited to a special fund for the purpose for which the monies were received.

In 1998, the Clerk recorded homestead and rollback monies into the General Fund in the amount of \$2,434, which should have been receipted into the Road and Bridge, Fire District, and Emergency Medical Services Funds.

A finding for adjustment is hereby issued against the General Fund of Licking Township in the amount of \$2,434, in favor of the Fire District Fund in the amount of \$1,530, in favor of the Road and Bridge Fund in the amount of \$866, and in favor of the Emergency Medical Services Fund in the amount of \$38. The Clerk has posted this adjustment to his records, and this adjustment is reflected in the accompanying 1998 financial statements.

Finding Number	1999-41060-002
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Noncompliance Citaton

Ohio Rev. Code § 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free from any previous encumbrances, the Township may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certification, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars the fiscal officer may authorize it paid without the affirmation of the Board of Trustees.

During our testing, we noted that 27% of expenditures were not certified by the Clerk until after the liability had been incurred. These commitments were not subsequently approved, by resolution, by the Board of Trustees within the aforementioned thirty day time period.

We recommend the Township document the Clerk's certification of the availability of appropriated funds for proposed purchases before a liability is incurred.

**LICKING TOWNSHIP
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	1999-41060-003
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Material Weakness

The Township's bank reconciliations during the audit period included significant reconciling items throughout both fiscal years. These reconciling items were generally due to amounts being deposited with the financial institution but not being posted to the accounting system. Also, in several months the Township's bank statements included only one deposit for the month indicating significant revenues were being held prior to being deposited.

When revenues are not posted in a prompt manner to the accounting system, the risk of errors occurring and remaining undetected is increased, monthly comparisons of estimated and actual revenues are inaccurate, the monthly bank reconciliation process becomes more difficult, and monthly financial reports generated from the accounting system do not accurately reflect budget to actual comparisons or the financial position of the Township. When monies are held for an extended period of time before being deposited, the risk of loss or theft is increased and the Township does not earn interest on the funds. We did not note material reconciling items as of December 31, 1999 or 1998 that required adjusting the accompanying financial statements.

We recommend the Clerk promptly post all transactions to the Township's accounting system and deposit all significant monies received in a timely manner.

Finding Number	1999-41060-004
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Reportable Condition

The Clerk indicated that he presents status reports to the Board of Trustees on a monthly basis. However, the minutes neither documented which reports were presented nor the Trustees review and approval of financial reports.

Without formally designating those reports the Clerk is to present, and the timing and review of these reports, the Board may not be fully aware of the financial status of the Township. This may also lead to the Trustees being unaware of items such as long outstanding checks, which may need to be brought to their attention so further action may be taken.

We recommend the Clerk prepare monthly financial reports which include budget vs. actual information for receipts and disbursements, as well as reconciliations, and fund balances. The Board should formally review and approve said reports, with their approval noted in the minutes. In addition, we recommend that Township Trustees periodically review the books and ledgers of the Township to ensure they are posted up-to-date and are in balance. Furthermore, the Trustees should verify the budgetary information presented by the Clerk is in agreement with the information in the Township's books and ledgers and amounts approved by the Board of Trustees in the various budgetary documents.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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LICKING TOWNSHIP

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 17, 2000**