

**LICKING TOWNSHIP  
LICKING COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2005**





Mary Taylor, CPA  
Auditor of State

January 12, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

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**Auditor of State  
Betty Montgomery**

Board of Trustees  
Licking Township  
6737 White Chapel Road  
P.O. Box 222  
Jacksontown, Ohio 43030

We have reviewed the *Independent Auditors' Report* of Licking Township, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2005 through December 31, 2005. 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. Licking Township is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

January 2, 2007

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**LICKING TOWNSHIP  
LICKING COUNTY**

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## INDEPENDENT AUDITORS' 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 the governmental activities, each major fund, and the aggregate remaining fund information of Licking Township, Licking County, Ohio (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Licking Township, Licking County, Ohio as of December 31, 2005, and the respective changes in cash basis financial position and the respective budgetary comparisons of the General, Road & Bridge, and Fire Operation Funds thereof for the year then ended in conformity with the accounting basis Note 2 describes.

*Wilson, Shannon & Snow, Inc.*

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



Licking Township  
Licking County  
Independent Auditors' Report

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In addition, as discussed in Note 4, the Township adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosure*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2006 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

*Wilson, Shuman & Snow, Inc.*

September 29, 2006

**LICKING TOWNSHIP, LICKING COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**UNAUDITED**

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This Management's Discussion and Analysis of Licking Township, Licking County (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

- Net assets of governmental activities decreased \$162,692, or 22 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs and decreased intergovernmental receipts in 2005; however, cost increases affected most funds.
- The Township's general receipts are primarily property taxes. These receipts represent 49 percent of the total cash received for governmental activities during the year. Property tax receipts for 2005 changed very little compared to 2005.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

**LICKING TOWNSHIP, LICKING COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**UNAUDITED**

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

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental type activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors, such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

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

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

**Reporting the Township's Most Significant Funds**

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

Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

**LICKING TOWNSHIP, LICKING COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**UNAUDITED**

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The Township's major governmental funds are the General, Road & Bridge, and Fire Operation Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs.

**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Cash and Cash Equivalents	\$ 589,941	\$ 752,633
Total Assets	\$ 589,941	\$ 752,633
<b>Net Assets</b>		
Restricted for:		
Fire Operation	126,348	184,334
Other Purposes	75,051	101,474
Unrestricted	388,542	466,825
Total Net Assets	\$589,941	\$752,633

As mentioned previously, net assets of governmental activities decreased \$162,692 or 22 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- The Township elected to retire outstanding debt associated with the Saulsbury Fire Truck purchased in 2003.
- Increases in salaries ranging from 3% to 4% for employees of the Township.

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**LICKING TOWNSHIP, LICKING COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**UNAUDITED**

(Table 2)  
**Changes in Net Assets**

	Governmental Activities 2005
Cash Receipts:	
Program Receipts:	
Charges for Services and Sales	\$105,454
Operating Grants and Contributions	163,430
Capital Grants and Contributions	73,710
Total Program Receipts	342,594
General Receipts:	
Property and Other Local Taxes	431,948
Income Taxes	
Grants and Entitlements Not Restricted to Specific Programs	85,499
Interest	8,551
Miscellaneous	9,992
Total General Receipts	535,990
Total Cash Receipts	878,584
Cash Disbursements:	
General Government	252,619
Public Safety	395,189
Public Works	192,268
Health	21,582
Capital Outlay	54,860
Debt Service	124,758
Total Cash Disbursements	1,041,276
Increase (Decrease) in Net Assets	(162,692)
Net Assets, January 1, 2005	752,633
Net Assets, December 31, 2005	\$589,941

Program receipts represent 39 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gas tax, and Federal Emergency Management Agency monies, and charges to local townships for emergency and fire services provided under contract.

General receipts represent 61 percent of the Township's total receipts, and of this amount, 81 percent are local taxes. State grants and entitlements make up the balance of the Township's general receipts (16 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

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

**LICKING TOWNSHIP, LICKING COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**UNAUDITED**

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**Governmental Activities**

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for General Government and Public Safety, which combined account for 62 percent of all governmental disbursements. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2005	Net Cost of Services 2005
	2005	2005
General Government	\$ 252,619	\$ 180,015
Public Safety	395,189	237,669
Public Works	192,268	101,442
Health	21,582	(62)
Capital Outlay	54,860	54,860
Debt Service	124,758	124,758
<b>Total</b>	<b>\$ 1,041,276</b>	<b>\$ 698,682</b>

The dependence upon property and tax receipts is apparent as over 49 percent of governmental activities are supported through these general receipts.

**The Government's Funds**

Total governmental funds had receipts of \$878,584 and disbursements of \$1,041,276. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$78,283 as the result of increased costs for salaries and benefits and not achieving anticipated growth in property tax and local government receipts.

General Fund receipts were less than disbursements by \$78,283 indicating that the General Fund is in a deficit spending situation. The Township will closely monitor its budget in future years to avoid a possible deficit.

The Road & Bridge Fund receipts were less than disbursements by \$9,256, which is attributed to increases in road work from 2004.

The Fire Operations Fund receipts were less than disbursements by \$57,986, which is primarily attributed to the extinguishment of outstanding debt.

**LICKING TOWNSHIP, LICKING COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**UNAUDITED**

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**General Fund Budgeting Highlights**

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

During 2005, the Township did not amend its General Fund budget.

Final disbursements were budgeted at \$669,496 while actual disbursements were \$282,360. Although receipts failed to live up to expectations, appropriations were budgeted higher than actual disbursements.

**Capital Assets and Debt Administration**

Capital Assets

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

Debt

At December 31, 2005, the Township did not have any debt outstanding.

**Current Issues**

The challenge for all Township's is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. We reviewed our sources of revenue and determined that increases in revenues were unlikely and will need to monitor disbursements to maintain positive fund balances.

**Contacting the Township's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jill Linn, Fiscal Officer, Licking Township, 6737 White Chapel Road, Jacksontown, Ohio 43030.

**LICKING TOWNSHIP  
LICKING COUNTY**

*Statement of Net Assets - Cash Basis  
December 31, 2005*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$589,941</u>
<i>Total Assets</i>	<u><u>\$589,941</u></u>
<b>Net Assets</b>	
Restricted for:	
Fire Operation	\$126,348
Other Purposes	75,051
Unrestricted	<u>388,542</u>
<i>Total Net Assets</i>	<u><u>\$589,941</u></u>

See accompanying notes to the basic financial statements



LICKING TOWNSHIP

LICKING COUNTY

Statement of Activities - Cash Basis  
For the Year Ended December 31, 2005

	Cash Disbursements	Program Cash Receipts			Net (Cash Disbursements) Cash Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General Government	\$ 252,619	\$ -	\$ 72,604	\$ -	\$ (180,015)
Public Safety	395,189	83,810	-	73,710	(237,669)
Public Works	192,268	-	90,826	-	(101,442)
Health	21,582	21,644	-	-	62
Capital Outlay	54,860	-	-	-	(54,860)
Debt Service	124,758	-	-	-	(124,758)
<i>Total Governmental Activities</i>	<u>\$ 1,041,276</u>	<u>\$ 105,454</u>	<u>\$ 163,430</u>	<u>\$ 73,710</u>	<u>(698,682)</u>
		<b>General Receipts</b>			
		Property Taxes Levied for:			
				General Purposes	431,948
				Grants and Entitlements not Restricted to Specific Programs	85,499
				Interest	8,551
				Miscellaneous	9,992
				<i>Total General Receipts</i>	<u>535,990</u>
				Change in Net Assets	(162,692)
				<i>Net Assets Beginning of Year</i>	<u>752,633</u>
				<i>Net Assets End of Year</i>	<u>\$ 589,941</u>

See accompanying notes to the basic financial statements

**LICKING TOWNSHIP  
LICKING COUNTY**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2005*

	<u>General</u>	<u>Road &amp; Bridge</u>	<u>Fire Operation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 388,542	\$ 44,270	\$ 126,348	\$ 30,781	\$ 589,941
<i>Total Assets</i>	<u>\$ 388,542</u>	<u>\$ 44,270</u>	<u>\$ 126,348</u>	<u>\$ 30,781</u>	<u>\$ 589,941</u>
<b>Fund Balances</b>					
Unreserved:					
Reported in:					
General Fund	388,542	-	-	-	388,542
Special Revenue Funds	-	44,270	126,348	30,781	201,399
<i>Total Fund Balances</i>	<u>\$ 388,542</u>	<u>\$ 44,270</u>	<u>\$ 126,348</u>	<u>\$ 30,781</u>	<u>\$ 589,941</u>

See accompanying notes to the basic financial statements

**LICKING TOWNSHIP  
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005*

	General	Road & Bridge	Fire Operation	Other Governmental Funds	Total Governmental Funds
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 99,978	\$ 163,601	\$ 168,369	\$ -	\$ 431,948
Charges for Services	-	-	69,165	-	69,165
Licenses, Permits and Fees	16,134	-	-	2,310	18,444
Intergovernmental	79,162	43,968	34,972	164,537	322,639
Interest	8,184	-	-	367	8,551
Donations	-	-	14,644	-	14,644
Other	619	9,374	-	3,200	13,193
<i>Total Cash Receipts</i>	<u>204,077</u>	<u>216,943</u>	<u>287,150</u>	<u>170,414</u>	<u>878,584</u>
<b>Cash Disbursements</b>					
Current:					
General Government	252,619	-	-	-	252,619
Public Safety	-	-	213,058	182,131	395,189
Public Works	-	192,268	-	-	192,268
Health	16,132	-	-	5,450	21,582
Capital Outlay	13,609	33,931	7,320	-	54,860
Debt Service:					
Principal Retirement	-	-	116,397	-	116,397
Interest and Fiscal Charges	-	-	8,361	-	8,361
<i>Total Cash Disbursements</i>	<u>282,360</u>	<u>226,199</u>	<u>345,136</u>	<u>187,581</u>	<u>1,041,276</u>
<i>Net Change in Fund Balances</i>	(78,283)	(9,256)	(57,986)	(17,167)	(162,692)
<i>Fund Balances Beginning of Year</i>	<u>466,825</u>	<u>53,526</u>	<u>184,334</u>	<u>47,948</u>	<u>752,633</u>
<i>Fund Balances End of Year</i>	<u>\$ 388,542</u>	<u>\$ 44,270</u>	<u>\$ 126,348</u>	<u>\$ 30,781</u>	<u>\$ 589,941</u>

See accompanying notes to the basic financial statements

**LICKING TOWNSHIP  
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements, and Changes  
In Fund Balance - Budget and Actual -(Budgetary Basis)  
**General Fund**  
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 98,672	\$ 98,672	\$ 99,978	\$ 1,306
Licenses, Permits and Fees	11,000	11,000	16,134	5,134
Intergovernmental	115,500	115,500	79,162	(36,338)
Interest	6,000	6,000	8,184	2,184
Other	1,500	1,500	619	(881)
<i>Total Cash Receipts</i>	<u>232,672</u>	<u>232,672</u>	<u>204,077</u>	<u>(28,595)</u>
<b>Cash Disbursements</b>				
Current:				
General Government	636,496	636,496	252,619	383,877
Health	18,000	18,000	16,132	1,868
Capital Outlay	15,000	15,000	13,609	1,391
<i>Total Cash Disbursements</i>	<u>669,496</u>	<u>669,496</u>	<u>282,360</u>	<u>387,136</u>
<i>Net Change in Fund Balance</i>	(436,824)	(436,824)	(78,283)	358,541
<i>Fund Balance Beginning of Year</i>	<u>466,825</u>	<u>466,825</u>	<u>466,825</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 30,001</u>	<u>\$ 30,001</u>	<u>\$ 388,542</u>	<u>\$ 358,541</u>

See accompanying notes to the basic financial statements

**LICKING TOWNSHIP**  
**LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements, and Changes  
In Fund Balance - Budget and Actual - (Budgetary Basis)  
**Road & Bridge Fund**  
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 160,373	\$ 160,373	\$ 163,601	\$ 3,228
Intergovernmental	24,000	24,000	43,968	19,968
Other	1,000	1,000	9,374	8,374
<i>Total Cash Receipts</i>	<u>185,373</u>	<u>185,373</u>	<u>216,943</u>	<u>31,570</u>
<b>Cash Disbursements</b>				
Current:				
Public Works	204,968	204,968	192,268	12,700
Capital Outlay	33,931	33,931	33,931	-
<i>Total Cash Disbursements</i>	<u>238,899</u>	<u>238,899</u>	<u>226,199</u>	<u>12,700</u>
<i>Net Change in Fund Balance</i>	(53,526)	(53,526)	(9,256)	44,270
<i>Fund Balance Beginning of Year</i>	53,405	53,405	53,405	-
Prior Year Encumbrances Appropriated	121	121	121	-
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,270</u>	<u>\$ 44,270</u>

See accompanying notes to the basic financial statements

**LICKING TOWNSHIP**  
**LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements, and Changes  
In Fund Balance - Budget and Actual - (Budgetary Basis)*  
**Fire Operation Fund**  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 168,076	\$ 168,076	\$ 168,369	\$ 293
Charges for Services	43,600	43,600	69,165	25,565
Intergovernmental	36,500	36,500	34,972	(1,528)
Donations	1,400	1,400	14,644	13,244
<i>Total Cash Receipts</i>	249,576	249,576	287,150	37,574
<b>Cash Disbursements</b>				
Current:				
Public Safety	299,095	299,095	213,058	86,037
Capital Outlay	10,000	10,000	7,320	2,680
Debt Service:				
Principal Retirement	116,397	116,397	116,397	-
Interest and Fiscal Charges	8,361	8,361	8,361	-
<i>Total Cash Disbursements</i>	433,853	433,853	345,136	88,717
<i>Net Change in Fund Balance</i>	(184,277)	(184,277)	(57,986)	126,291
<i>Fund Balance Beginning of Year</i>	184,334	184,334	184,334	-
<i>Fund Balance End of Year</i>	\$ 57	\$ 57	\$ 126,348	\$ 126,291

See accompanying notes to the basic financial statements

**LICKING TOWNSHIP  
LICKING COUNTY**

*Statement of Fiduciary Net Assets - Cash Basis  
Fiduciary Fund  
December 31, 2005*

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	<u>Private Purpose Trust</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 12,032
<i>Total Assets</i>	<u>\$ 12,032</u>
<b>Net Assets</b>	
Unrestricted	<u>\$ 12,032</u>

See accompanying notes to the basic financial statements

**LICKING TOWNSHIP  
LICKING COUNTY**

*Statement of Changes in Fiduciary Net Assets - Cash Basis  
Fiduciary Fund  
For the Year Ended December 31, 2005*

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	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest	\$ 222
<i>Total Additions</i>	<u>222</u>
Change in Net Assets	222
Net Assets - Beginning of Year	<u>11,810</u>
Net Assets - End of Year	<u>\$ 12,032</u>

See accompanying notes to the basic financial statements



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**LICKING TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**Note 1 – Reporting Entity**

Licking Township, Licking County, Ohio (the Township), is a body politic and corporate was established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, fire protection, and cemetery maintenance.

**B. Component Units**

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

The Township participates in the Ohio Township Association Risk Management Association, a public entity risk pool. Note 9 to the financial statements provide additional information for these entities. This organization is:

**Public Entity Risk Pool:**

*Ohio Township Association Risk Management Authority  
c/o Burnham and Flower of Ohio, Inc.  
6797 North High Street, Suite 131  
Worthington, Ohio 43085*

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

**LICKING TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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

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

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**LICKING TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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

**Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General, Road & Bridge, and Fire Operation Funds, which are described as follows:

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

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

*Fire Operation Fund* – This fund accounts for property tax and intergovernmental receipts for the operations of the Township's fire department.

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

**Fiduciary Funds**

Fiduciary funds include private purpose trust funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township's private purpose trust fund accounts for the maintenance of cemetery bequests.

**C. Basis of Accounting**

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

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

**LICKING TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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

**D. Budgetary Process**

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

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

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

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

**E. Cash**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. 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 negative receipts (contra revenue), respectively.

During 2005, the Township invested in nonnegotiable certificates of deposit, which are reported at cost.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$8,184.

**LICKING TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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

**F. Restricted Assets**

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township had no restricted assets at December 31, 2005.

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The Township did not have interfund loans outstanding at December 31, 2005.

**J. Accumulated Leave**

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Long-Term Obligations**

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay disbursement are reported at inception. Lease payments are reported when paid.

**LICKING TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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

**M. Net Assets**

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

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available. There were no amounts restricted by enabling legislation.

**N. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. The Township did not have designations at December 31, 2005. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. The Township did not have fund balance reserves at December 31, 2005.

**O. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Township did not have extraordinary or special items at December 31, 2005.

**Note 3 – Change in Basis of Accounting**

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**LICKING TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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**Note 4 – Change in Accounting Principle**

In March of 2003 GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures* (an amendment of GASB Statement No. 3). This statement amends Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principle areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that included investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement are effective for financial statements for the year ending December 31, 2005. The implementation of this GASB had no impact on the financial position of the Township at December 31, 2005.

**Note 5 – Compliance**

The Township did not competitively bid certain contracts contrary to the Ohio Revised Code. In addition, the Township did not properly encumber all commitments as required by Ohio Law contrary to Ohio Revised Code Section 5705.41(D).

**Note 6 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, cash disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General, Road & Bridge, and Fire Operations Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are generally outstanding year end encumbrances which are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no differences between the budgetary and cash basis disbursements based on no outstanding encumbrances reported by the Township at December 31, 2005.

**Note 7 – Deposits and Investments**

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

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

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

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



**LICKING TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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**Note 7 – Deposits and Investments** (continued)

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

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

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

**Deposits**

During 2005, the Township's deposits consisted of a general checking account and non-negotiable certificates of deposits.

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$462,473 of the Township's bank balance of \$601,973 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name, while \$139,500 was covered by the Federal Deposit Insurance Corporation.

**LICKING TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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**Note 7 - Deposits and Investments** (continued)

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

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Township has no investment policy which specifically addresses interest rate risk beyond the requirements within the Ohio Revised Code.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Regarding concentration of credit risk, the Township places no limit on the amount that may be invested in any one issuer.

**Note 8 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**LICKING TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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**Note 8 – Property Taxes** (continued)

The full tax rate for all Township operations for the year ended December 31, 2005, was \$5.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$ 93,520,710
Agriculture	6,958,560
Commercial/Industrial/Mineral	5,437,730
Public Utility Property	
Real	1,070
Personal	4,784,570
Tangible Personal Property	2,287,780
Total Assessed Value	<u><u>\$112,990,420</u></u>

**Note 9 – Risk Management**

**Casualty Coverage**

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**Property Coverage**

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

**LICKING TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

**Note 9 – Risk Management** (continued)

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year’s premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**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, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA’s related liabilities are due for payment.

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

**LICKING TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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**Note 10 – Defined Benefit Pension Plan**

**A. Ohio Public Employees Retirement System**

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except members in public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township contributed the full pension obligation amount for the years ended December 31, 2005, 2004, and 2003.

***B. Ohio Police and Fire Pension Fund***

The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the employer is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The full amount has been contributed for 2005, 2004, and 2003.

**LICKING TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

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**Note 11 – Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety); 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

***B. Ohio Police and Fire Pension Fund***

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

**LICKING TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)**

**Note 11 – Postemployment Benefits** (continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund’s board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer’s contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The OP&F’s total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

**Note 12 – Debt**

The Township’s long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
Saulsbury Fire Rescue Pumper 2003 Amount Issued (\$145,497)	4.79%	\$116,397	\$ -	\$(116,397)	\$ -	\$ -

The Township elected to retire the outstanding debt at December 31, 2005. No other debt was outstanding at December 31, 2005.

**Note 13 – Contingent Liabilities**

The Township is currently not involved in any litigation.

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Licking Township, Licking County, Ohio (the Township) as of and for the year ended December 31, 2005, and issued our report thereon dated September 29, 2006. For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*. In addition, as disclosed in Note 4, the Township adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. 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.

**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 an opinion 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 reportable 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 caused by error or fraud 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. In a separate letter to the Township’s management dated September 29, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

*Wilson, Shannon & Snow, Inc.*

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



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of 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 the objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2005-001 and 2005-002.

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

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio

September 29, 2006

**LICKING TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Noncompliance Citation**

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

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

*Then and Now Certificate* - If the fiscal officer can certify that both at the time the contract or order was made and at the time that he/she is completing his/her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

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

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

**LICKING TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001 (Continued)**

We noted that 22% of 2005 and 2004 expenditures tested were not certified by the Fiscal Officer prior to incurring the commitment. It was also found that none of the three exceptions noted above were utilized.

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

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 Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

*Client Response: The Township will monitor disbursements to ensure proper certification prior to payment.*

**FINDING NUMBER 2005-002**

Ohio Revised Code Section 5549.21 requires competitive bidding procedures for the purchase of materials, machinery and tools to be used in constructing, maintaining and repairing roads and culverts, where the amount involved exceeds \$25,000.

During the period under audit, the Township purchased a Tiger Mower and two John Deere Mowers totaling \$34,430, \$38,505, and \$30,805, respectively, and nothing came to our attention to indicate the Township followed competitive bidding procedures.

We recommend the Township follow competitive bidding procedures for any contracts exceeding \$25,000. The Township may elect to forgo competitive bidding procedures if the purchase is considered an emergency and less than \$50,000 pursuant to Ohio Revised Code Section 505.08 or is purchased from a political subdivision pursuant to Ohio Revised Code Section 125.04.

*Client Response: The Township will competitively bid items which exceed the competitive bid threshold.*

**LICKING TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Revised Code Section 5705.41(D)(1) requires transactions to be certified by the fiscal officer prior to the commitment being incurred.	No	Reissued as finding number 2005-001.
2004-002	Ohio Revised Code Section 5549.21 requires competitive bidding procedures for certain items when the amount exceeds \$25,000.	No	Reissued as finding number 2005-02.



**Mary Taylor, CPA**  
Auditor of State

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  
JANUARY 18, 2007