

**LICKING TOWNSHIP
LICKING COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006



Mary Taylor, CPA

Auditor of State

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, 2006 through December 31, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 15, 2009

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**LICKING TOWNSHIP
LICKING COUNTY**

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

INDEPENDENT AUDITORS' REPORT

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, 2006, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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, 2006, and the respective changes in cash basis financial position, thereof and the respective budgetary comparisons for the General, Gasoline Tax, Road & Bridge, Fire Operation, and Federal Emergency Management Agency funds for the year then ended in conformity with the basis of accounting described in Note 2.

As disclosed in Note 3, the Township reclassified its private purpose trust fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2009 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. 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.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Ten West Locust Street

Newark, Ohio 43055

(740) 345-6611

1-800-523-6611

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Wilson, Shanna & Sons, Inc.

January 13, 2009

**LICKING TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

This discussion and analysis of Licking Township, Licking County, Ohio (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, 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 2006 are as follows:

- Net assets of governmental activities increased \$86,615 or 14 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General and Road & Bridge Funds which realized decreased cash disbursements from 2005.
- The Township's general receipts are primarily property taxes. These receipts represent 47 percent of the total cash received for governmental activities during the year. Property tax receipts for 2006 increased 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 – cash basis and the statement of activities – cash basis 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 basic 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 accounting principles generally accepted in the United States of America. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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.

**LICKING TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

Reporting the Township as a Whole

The statement of net assets – cash basis and the statement of activities – cash basis reflect how the Township did financially during 2006, 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 – cash basis 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 as well 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 taxes.

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

- Governmental activities - Most of the Township's basic services are reported here, including fire, streets, cemetery, and roads and bridges. Property taxes and state and federal grants when received 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 one category, governmental:

- 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.

The Township's major governmental funds are the General, Gasoline Tax, Road & Bridge, Fire Operation, and Federal Emergency Management Agency Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**LICKING TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005 on a cash basis:

(Table 1)

	Governmental Activities	
	(Restated)	
	2006	2005
Assets		
Cash and Cash Equivalents	\$ 688,588	\$ 601,973
Total Assets	\$ 688,588	\$ 601,973
Net Assets		
Restricted for:		
Street Construction and Repair	135,933	70,427
Fire Operation	120,494	126,348
Permanent Fund	12,294	12,032
Other Purposes	8,079	4,624
Unrestricted	411,788	388,542
Total Net Assets	\$688,588	\$601,973

As mentioned previously, net assets of governmental activities increased \$86,615 or 14 percent during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- The Township incurred less disbursements based on no outstanding debt as well as increased receipts through property taxes, intergovernmental receipts, and charges for services.

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**LICKING TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

Table 2 reflects the changes in net assets in 2006 and 2005.

(Table 2)
Changes in Net Assets

	Governmental Activities 2006	(Restated) Governmental Activities 2005
Cash Receipts:		
Program Receipts:		
Charges for Services and Sales	\$85,925	\$105,454
Operating Grants and Contributions	113,447	163,430
Capital Grants and Contributions	162,123	73,710
Total Program Receipts	<u>361,495</u>	<u>342,594</u>
General Receipts:		
Property and Other Local Taxes	489,526	431,948
Grants and Entitlements Not Restricted to Specific Programs	179,258	85,499
Interest	13,002	8,551
Other	6,805	9,992
Total General Receipts	<u>688,591</u>	<u>535,990</u>
Total Cash Receipts	<u>1,050,086</u>	<u>878,584</u>
Cash Disbursements:		
General Government	220,679	252,619
Public Safety	409,599	395,189
Public Works	259,814	192,268
Health	22,402	21,582
Capital Outlay	50,977	54,860
Debt Service	0	124,758
Total Cash Disbursements	<u>963,471</u>	<u>1,041,276</u>
Change in Net Assets	86,615	(162,692)
Net Assets, January 1	<u>601,973</u>	<u>764,665</u>
Net Assets, December 31	<u><u>\$688,588</u></u>	<u><u>\$601,973</u></u>

Program receipts represent 34 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gasoline taxes, and federal emergency management agency grant funds.

General receipts represent 66 percent of the Township's total receipts, and of this amount, 71 percent are local taxes. State grants and entitlements make up the balance of the Township's general receipts (26 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, 2006
UNAUDITED**

Governmental Activities

If you look at the Statement of Activities on page 10 of the basic financial statements, 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, Public Safety, and Public Works, which combined account for 92 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 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2005</u>
General Government	\$220,679	\$220,679	\$252,619	\$180,015
Public Safety	409,599	186,600	395,189	237,669
Public Works	259,814	146,367	192,268	101,442
Health	22,402	(2,647)	21,582	(62)
Capital Outlay	50,977	50,977	54,860	54,860
Debt Service	0	0	124,758	124,758
Total Disbursements	<u>\$963,471</u>	<u>\$601,976</u>	<u>\$1,041,276</u>	<u>\$698,682</u>

The dependence upon property tax receipts is apparent as over 51 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$1,050,086 and disbursements of \$963,471. The greatest change within governmental funds occurred within the General and Road & Bridge Funds. The fund balances increased \$23,246 and \$67,474, respectively, as the result of decreased cash disbursements from 2005.

General Fund receipts were greater than disbursements by \$23,246 indicating that the General Fund is avoiding a deficit spending situation. The Township continues to monitor its budget in future years to avoid a possible deficit.

The Gas Tax Fund had cash receipts of \$94,130 and cash disbursements of \$97,403 for a decrease of fund balance to \$19,018 from \$22,291.

The Road & Bridge Fund had receipts of \$210,885 and disbursements of \$143,411 noting an increase in fund balance to \$111,744 from \$44,270.

The Fire Operation Fund had receipts of \$292,599 and disbursements of \$298,453 noting a decrease in fund balance of \$5,854 to \$120,494 from \$126,348.

The Federal Emergency Management Agency Fund had receipts of \$162,123 and disbursements of \$162,123.

**LICKING TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

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 2006, the Township did not amend its General Fund budget. Final estimated receipts were \$214,199. Appropriations are not presented based on the Township not authorizing 2006 appropriations within the minutes.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently record its capital assets and infrastructure within its financial statements.

Debt

The Township did not have any outstanding debt at December 31, 2006.

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, P.O. Box 222, Jacksontown, Ohio 43030.

**LICKING TOWNSHIP
LICKING COUNTY**

*Statement of Net Assets - Cash Basis
December 31, 2006*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$688,588</u>
<i>Total Assets</i>	<u><u>\$688,588</u></u>
Net Assets	
Restricted for:	
Street Construction and Repair	\$135,933
Fire Operation	120,494
Other Purposes	8,079
Permanent Fund:	
Expendable	12,294
Unrestricted	<u>411,788</u>
<i>Total Net Assets</i>	<u><u>\$688,588</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, 2006

	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
Governmental Activities					
General Government	\$ 220,679	\$ -	\$ -	\$ -	\$ (220,679)
Public Safety	409,599	60,876	-	162,123	(186,600)
Public Works	259,814	-	113,447	-	(146,367)
Health	22,402	25,049	-	-	2,647
Capital Outlay	50,977	-	-	-	(50,977)
<i>Total Governmental Activities</i>	<u>\$ 963,471</u>	<u>\$ 85,925</u>	<u>\$ 113,447</u>	<u>\$ 162,123</u>	<u>(601,976)</u>
		General Receipts			
		Property Taxes Levied for:			
		General Purposes			489,526
		Grants and Entitlements not Restricted to Specific Programs			179,258
		Interest			13,002
		Other			6,805
		<i>Total General Receipts</i>			<u>688,591</u>
		Change in Net Assets			86,615
		<i>Net Assets Beginning of Year - Restated</i>			<u>601,973</u>
		<i>Net Assets End of Year</i>			<u>\$ 688,588</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, 2006*

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road & Bridge</u>	<u>Fire Operation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 411,788	\$ 19,018	\$ 111,744	\$ 120,494	\$ 25,544	\$ 688,588
<i>Total Assets</i>	<u>\$ 411,788</u>	<u>\$ 19,018</u>	<u>\$ 111,744</u>	<u>\$ 120,494</u>	<u>\$ 25,544</u>	<u>\$ 688,588</u>
Fund Balances						
Unreserved:						
Reported in:						
General Fund	411,788	-	-	-	-	411,788
Special Revenue Funds	-	19,018	111,744	120,494	13,250	264,506
Permanent Fund	-	-	-	-	12,294	12,294
<i>Total Fund Balances</i>	<u>\$ 411,788</u>	<u>\$ 19,018</u>	<u>\$ 111,744</u>	<u>\$ 120,494</u>	<u>\$ 25,544</u>	<u>\$ 688,588</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, 2006*

	General	Gasoline Tax	Road & Bridge	Fire Operation	FEMA	Other Governmental Funds	Total Governmental Funds
Cash Receipts							
Property and Other Local Taxes	\$ 113,065	\$ -	\$ 184,753	\$ 191,708	\$ -	\$ -	\$ 489,526
Charges for Services	-	-	-	60,876	-	-	60,876
Licenses, Permits and Fees	15,549	-	-	-	-	9,500	25,049
Intergovernmental	118,585	93,359	26,132	34,541	162,123	20,088	454,828
Interest	11,753	771	-	-	-	478	13,002
Other	1,275	-	-	5,474	-	56	6,805
<i>Total Cash Receipts</i>	<u>260,227</u>	<u>94,130</u>	<u>210,885</u>	<u>292,599</u>	<u>162,123</u>	<u>30,122</u>	<u>1,050,086</u>
Cash Disbursements							
Current:							
General Government	220,679	-	-	-	-	-	220,679
Public Safety	-	-	-	247,476	162,123	-	409,599
Public Works	-	97,403	143,411	-	-	19,000	259,814
Health	16,302	-	-	-	-	6,100	22,402
Capital Outlay	-	-	-	50,977	-	-	50,977
<i>Total Cash Disbursements</i>	<u>236,981</u>	<u>97,403</u>	<u>143,411</u>	<u>298,453</u>	<u>162,123</u>	<u>25,100</u>	<u>963,471</u>
<i>Net Change in Fund Balances</i>	23,246	(3,273)	67,474	(5,854)	-	5,022	86,615
<i>Fund Balances Beginning of Year - Restated</i>	<u>388,542</u>	<u>22,291</u>	<u>44,270</u>	<u>126,348</u>	<u>-</u>	<u>20,522</u>	<u>601,973</u>
<i>Fund Balances End of Year</i>	<u>\$ 411,788</u>	<u>\$ 19,018</u>	<u>\$ 111,744</u>	<u>\$ 120,494</u>	<u>\$ -</u>	<u>\$ 25,544</u>	<u>\$ 688,588</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, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Cash Receipts				
Property and Other Local Taxes	\$ 107,199	\$ 107,199	\$ 113,065	\$ 5,866
Licenses, Permits and Fees	17,000	17,000	15,549	(1,451)
Intergovernmental	81,280	81,280	118,585	37,305
Interest	8,100	8,100	11,753	3,653
Other	620	620	1,275	655
<i>Total Cash Receipts</i>	<u>214,199</u>	<u>214,199</u>	<u>260,227</u>	<u>46,028</u>
Cash Disbursements				
Current:				
General Government	-	-	220,679	(220,679)
Health	-	-	16,302	(16,302)
<i>Total Cash Disbursements</i>	<u>-</u>	<u>-</u>	<u>236,981</u>	<u>(236,981)</u>
<i>Net Change in Fund Balance</i>	214,199	214,199	23,246	(190,953)
<i>Fund Balance Beginning of Year</i>	<u>388,542</u>	<u>388,542</u>	<u>388,542</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 602,741</u>	<u>\$ 602,741</u>	<u>\$ 411,788</u>	<u>\$ (190,953)</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)
Gasoline Tax Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Cash Receipts				
Intergovernmental	\$ 75,000	\$ 75,000	\$ 93,359	\$ 18,359
Interest	500	500	771	271
<i>Total Cash Receipts</i>	<u>75,500</u>	<u>75,500</u>	<u>94,130</u>	<u>18,630</u>
Cash Disbursements				
Current:				
Public Works	-	-	97,403	(97,403)
<i>Total Cash Disbursements</i>	<u>-</u>	<u>-</u>	<u>97,403</u>	<u>(97,403)</u>
<i>Net Change in Fund Balance</i>	75,500	75,500	(3,273)	(78,773)
<i>Fund Balance Beginning of Year</i>	<u>22,291</u>	<u>22,291</u>	<u>22,291</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 97,791</u>	<u>\$ 97,791</u>	<u>\$ 19,018</u>	<u>\$ (78,773)</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, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Cash Receipts				
Property and Other Local Taxes	\$ 176,974	\$ 176,974	\$ 184,753	\$ 7,779
Intergovernmental	26,000	26,000	26,132	132
Other	1,000	1,000	-	(1,000)
<i>Total Cash Receipts</i>	203,974	203,974	210,885	6,911
Cash Disbursements				
Current:				
Public Works	-	-	143,411	(143,411)
<i>Total Cash Disbursements</i>	-	-	143,411	(143,411)
<i>Net Change in Fund Balance</i>	203,974	203,974	67,474	(136,500)
<i>Fund Balance Beginning of Year</i>	44,270	44,270	44,270	-
<i>Fund Balance End of Year</i>	\$ 248,244	\$ 248,244	\$ 111,744	\$ (136,500)

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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Cash Receipts				
Property and Other Local Taxes	\$ 183,450	\$ 183,450	\$ 191,708	\$ 8,258
Charges for Services	71,500	71,500	60,876	(10,624)
Intergovernmental	39,000	39,000	34,541	(4,459)
Other	5,500	5,500	5,474	(26)
<i>Total Cash Receipts</i>	<u>299,450</u>	<u>299,450</u>	<u>292,599</u>	<u>(6,851)</u>
Cash Disbursements				
Current:				
Public Safety	-	-	247,476	(247,476)
Capital Outlay	-	-	50,977	(50,977)
<i>Total Cash Disbursements</i>	<u>-</u>	<u>-</u>	<u>298,453</u>	<u>(298,453)</u>
<i>Net Change in Fund Balance</i>	299,450	299,450	(5,854)	(305,304)
<i>Fund Balance Beginning of Year</i>	<u>126,348</u>	<u>126,348</u>	<u>126,348</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 425,798</u>	<u>\$ 425,798</u>	<u>\$ 120,494</u>	<u>\$ (305,304)</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)
Federal Emergency Management Agency Fund
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Cash Receipts				
Intergovernmental	\$ 250,000	\$ 250,000	\$ 162,123	\$ (87,877)
<i>Total Cash Receipts</i>	<u>250,000</u>	<u>250,000</u>	<u>162,123</u>	<u>(87,877)</u>
Cash Disbursements				
Current:				
Public Safety	-	-	162,123	(162,123)
<i>Total Cash Disbursements</i>	<u>-</u>	<u>-</u>	<u>162,123</u>	<u>(162,123)</u>
<i>Net Change in Fund Balance</i>	250,000	250,000	-	(250,000)
<i>Fund Balance Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ (250,000)</u>

See accompanying notes to the basic financial statements

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Note 1 – Reporting Entity

Licking Township, Licking County, Ohio (the Township), is a body politic and corporate 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, component units and other organizations that were included 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 emergency medical services, and cemetery maintenance. Police protection is provided by the Licking County Sheriff's Department.

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 any component units.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2, these financial statements are presented on the 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.

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (continued)

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. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets – cash basis 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 each of the Township's governmental activities. 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.

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 one category, governmental.

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 described below:

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.

Gasoline Tax Fund – This fund receives intergovernmental receipts for the maintenance and construction of Township roads.

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

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (continued)

Fire Operation Fund – This fund accounts for property tax, intergovernmental, and charges for services receipts in order to provide fire and protection services to Licking Township, Bowling Green Township, and Franklin Township.

Federal Emergency Management Agency Fund (FEMA) – This fund receives intergovernmental receipts for the purchase of fire equipment.

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

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.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. 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 Township did not authorize annual appropriations contrary to Ohio Revised Code Section 5705.38(A).

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 as certified by the Licking County Budget Commission.

E. Cash and Investments

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.

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (continued)

During 2006, the Township invested in a high yield savings account and 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 2006 was \$11,753.

F. Restricted Assets

Cash, cash equivalents and investments 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 did not have restricted assets at December 31, 2006.

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 any interfund loans during 2006.

J. Accumulated Leave

Upon retirement with the Township, employees are entitled to cash payments for unused sick leave. Unpaid leave is not reflected as a liability under the Township's 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 9 and 10, and in accordance with state law 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 or on-behalf of the Township and principal and interest payments are reported when paid or when on-behalf of the Township. The Township did not have outstanding long-term obligations at December 31, 2006.

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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 cemetery maintenance.

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. None of the Township’s reported restricted net assets reported by the Township were 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, 2006. Unreserved fund balance indicates that a portion of fund balance is available for appropriation in future periods. The Township did not have fund balance reserves at December 31, 2006.

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 and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. The Township did not have interfund transactions during 2006.

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, 2006.

Note 3 –Reclassification of Funds

The Township determined the proper reporting of its cemetery endowment as a Permanent Fund, contrary to a Private Purpose Trust Fund as previously reported. In addition, the Gasoline Tax Fund is presented as a major fund for financial reporting purposes in 2006.

	<u>Other Governmental</u>	<u>Private Purpose</u>	<u>Gasoline Tax Fund</u>	<u>Total</u>
Cash Balances at 12/31/05	\$30,781	\$12,032	\$ 0	\$42,813
Reclassification of Gas Tax Fund	(22,291)	0	22,291	0
Reclassification of Private Purpose Trust Fund	12,032	(12,032)	0	0
Total	<u>\$20,522</u>	<u>\$ 0</u>	<u>\$22,291</u>	<u>\$42,813</u>

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

Note 4 – Compliance

The Township did not approve annual appropriations contrary to Ohio Revised Code Section 5705.38(A) thus causing expenditures to exceed appropriations within all funds at the legal level of control contrary to Ohio Revised Code Section 5705.41(B).

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General, Gasoline Tax, Road & Bridge, Fire Operation, and Federal Emergency Management Agency funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There were no differences between the budgetary basis and these funds at December 31, 2006.

Note 6 – 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.

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;

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

Note 6 – Deposits and Investments (continued)

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

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. However, the Township has followed all State and local requirements to secure Township deposits in the event of a bank failure. At year end, the carrying amount of the Township's deposits was \$688,588 and the bank balance was \$715,653, of which \$576,653 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized with securities held by the pledging financial institution trust department or agent, but not in Township names.

The Township has no deposit policy for custodial credit 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.

The Township's high yield savings account and certificates of deposit are not subject to concentration of credit risk, interest rate risk, or credit risk based on the nature of these accounts.

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

Note 7– 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 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, 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 which Licking County has chosen to do.

2006 real property taxes are levied after October 1, 2006, on assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of the appraised value. 2006 real property taxes are collected in and intended to finance 2007.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

2006 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments for machinery and equipment are 25 percent of true value and 23 percent of true value of inventory.

The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009.

The full tax rate for all Township operations for the year ended December 31, 2006, was \$5.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$97,849,270
Agriculture	7,062,010
Commercial/Industrial/Mineral	5,254,000
Public Utility Property	
Personal	4,636,090
Tangible Personal Property	1,691,110
Total Assessed Value	<u><u>\$116,492,480</u></u>

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

Note 8 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

Casualty Coverage

For an occurrence prior to January 1, 2006, 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. For an occurrence subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 governments.

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

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

Note 8 – Risk Management (continued)

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township’s share of these unpaid claims collectible in future years is approximately \$13,500. This payable includes the subsequent year’s contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

	<u>Contributions to OTARMA</u>
2005	\$ 13,484
2006	14,376
2007	10,767

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 contributions, minus the subsequent years’ budgetary contribution. Withdrawing members have no future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

Note 9 – 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 plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vast 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 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, 227 E. Town St., Columbus, OH 43215-4642 or by calling (614)222-6701 or (800)222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 9.2%. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$32,446, \$31,501, and \$30,583, respectively. The Township has contributed 100% for 2006, 2005, and 2004.

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 publically 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.

The Township has no police officers. Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Township is required to contribute 19.5 percent for firefighters. Contributions are authorized by State statute. The Township's contributions to OP&F for the years ended December 31, 2006, 2005, and 2004 were \$9,610, \$9,610, and \$9,330, respectively, equal to the required contribution for each year. The full amount has been contributed for 2006, 2005, and 2004.

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

Note 10 – 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 recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. 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 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 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 .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .6 and 6 percent annually for the next nine years and 4 percent annually after 9 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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$128,436. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available), was \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 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. To improve the solvency of the Health Care Fund, the OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Note 11 – Contingent Liabilities

The Township is currently not involved in any litigation.



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, (the Township) as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated January 13, 2009, wherein we noted the Township prepared its financial statements on the cash basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In addition, the Township reclassified its private purpose trust fund as disclosed in Note 3. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Wilson, Shannon & Snow, Inc.

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Licking Township
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*
Page 2

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings 2006-001 through 2006-003 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated January 13, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2006-001 through 2006-002.

We also noted certain noncompliance and other matters that we have reported to management in a separate letter dated January 13, 2009.

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

We intend this report solely for the information and use of the Board of Trustees and management. We intend it for no one other than these specified parties.

Wilson, Sherman & Snow, Inc.

January 13, 2009

**LICKING TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2006-001
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Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based on the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses no later than April 1st.

The Township Trustees did not formally authorize the passage of a temporary or final appropriation measure prior to April 1, 2006.

We recommend the Township trustees formally authorize within the Township minute an annual appropriation measure no later than April 1st.

Official's response: The Township will formally approve the annual appropriation measure in the minutes no later than April 1st of each year.

Finding Number	2006-002
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Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend monies unless it has been properly appropriated. As noted in Finding Number 2006-001, an appropriation measure was not authorized by the Trustees within the minutes. Therefore, all funds had expenditures exceeding appropriations at the legal level of control.

We recommend that the Township appropriate all expenditures to ensure that expenditures do not exceed appropriations throughout the year. This will help avoid possible fund deficits.

Official's response: The Township will monitor appropriations throughout the year to determine compliance.

Finding Number	2006-003
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Financial Reporting

The American Institute of Certified Public Accountants (AICPA), the national professional organization for certified public accountants, issued its Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. This establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the auditor to report in writing to management and governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

**LICKING TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2006-003 (Continued)
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We noted the following control deficiencies when testing the Township’s internal control over financial reporting:

- The basic financial statements prepared from the Uniform Accounting System required audit adjustments to properly identify the Federal Emergency Management Agency (FEMA) Fund as a major fund contrary to the presentation within the Uniform Accounting System;
- We identified a significant audit reclassification associated with the presentation of Fire Contracts as Charges for Service receipts contrary to miscellaneous as recorded by the Township. Audit adjustments were also posted to properly present restricted net assets.

The compilation and presentation of the financial statements and the related footnotes is the responsibility of management. This responsibility remains intact if management decides to outsource this function for efficiency purposes or any other reason.

We recommend that the Township develop and continue to monitor internal control procedures associated with the drafting and preparation of the financial statements and footnotes in order to enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes. In addition, while developing these procedures management should reduce its reliability on the Township’s auditors to perform this internal control procedure as auditors must remain independent.

Official’s response: The Township will develop procedures to address the financial reporting concerns identified.

**LICKING TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u>
2005-001	Ohio Revised Code Section 5705.41(D)(1) requires transactions to be certified by the fiscal officer prior to the commitment being incurred.	Yes	N/A.
2005-002	Ohio Revised Code Section 5549.21 requires competitive bidding procedures be employed where amounts exceed \$25,000.	Yes	N/A.



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
MAY 28, 2009