



**Auditor of State
Betty Montgomery**

**LICKING TOWNSHIP
MUSKINGUM COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Licking Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2004 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

Betty Montgomery
Auditor of State

October 1, 2004

**LICKING TOWNSHIP
MUSKINGUM COUNTY**

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Debt Service	
Cash Receipts:					
Local Taxes	\$52,873	\$99,344	\$	\$8,480	\$160,697
Intergovernmental	60,441	84,413			144,854
Special Assessments				22,571	22,571
Earnings on Investments	143	20			163
Other Revenue		4,854			4,854
Total Cash Receipts	113,457	188,631	0	31,051	333,139
Cash Disbursements:					
Current:					
General Government	81,516				81,516
Public Safety		61,997			61,997
Public Works	10,971	113,402			124,373
Health	1,512	2,388			3,900
Human Services					0
Conservation - Recreation					0
Miscellaneous					0
Debt Service:					
Redemption of Principal				24,449	24,449
Interest and Fiscal Charges				6,305	6,305
Total Cash Disbursements	93,999	177,787	0	30,754	302,540
Total Cash Receipts Over/(Under) Cash Disbursements	19,458	10,844	0	297	30,599
Other Financing Receipts and (Disbursements):					
Transfers-In		1,766			1,766
Transfers-Out		(1,766)			(1,766)
Total Other Financing Receipts/(Disbursements)	0	0	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	19,458	10,844	0	297	30,599
Fund Cash Balances, January 1	34,667	24,178	252	831	59,928
Fund Cash Balances, December 31	\$54,125	\$35,022	\$252	\$1,128	\$90,527

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

**LICKING TOWNSHIP
MUSKINGUM COUNTY**

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Debt Service	
Cash Receipts:					
Local Taxes	\$51,799	\$67,149	\$	\$8,938	\$127,886
Intergovernmental	65,101	77,000			142,101
Special Assessments				22,179	22,179
Earnings on Investments	578	3			581
Other Revenue	523	1,125		454	2,102
Total Cash Receipts	118,001	145,277	0	31,571	294,849
Cash Disbursements:					
Current:					
General Government	85,636		454		86,090
Public Safety		36,084			36,084
Public Works		115,669			115,669
Health		1,880			1,880
Debt Service:					
Redemption of Principal				24,326	24,326
Interest and Fiscal Charges				7,964	7,964
Total Cash Disbursements	85,636	153,633	454	32,290	272,013
Total Cash Receipts Over/(Under) Cash Disbursements	32,365	(8,356)	(454)	(719)	22,836
Fund Cash Balances, January 1	2,302	32,534	706	1,550	37,092
Fund Cash Balances, December 31	\$34,667	\$24,178	\$252	\$831	\$59,928

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

**LICKING TOWNSHIP
MUSKINGUM COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Licking Township, Muskingum County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services. The Township contracts with the Licking Township Fire Department.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

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

Fire District Fund - This fund receives tax money for providing fire protection to Township residents.

**LICKING TOWNSHIP
MUSKINGUM COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

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

General Note Retirement Fund – This fund receives gasoline tax monies and is used to account for activity related to the retirement of notes issued for the purchase of road equipment.

Special Assessment Bond Retirement Fund – This fund receives special assessments to pay principal and interest on outstanding special assessment bonds.

4. Capital Projects Funds

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

Permanent Improvement Fund - This fund receives monies from the proceeds of bonds, notes and special assessments to finance the Dillon Hills paving project.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

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

**LICKING TOWNSHIP
MUSKINGUM COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	2003	2002
Demand deposits	\$90,527	\$59,928

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

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$103,458	\$113,457	\$9,999
Special Revenue	191,685	190,397	(1,288)
Debt Service	30,754	31,051	297
Capital Projects	0	0	0
Total	<u>\$325,897</u>	<u>\$334,905</u>	<u>\$9,008</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$108,135	\$93,999	14,136
Special Revenue	208,559	179,553	29,006
Capital Projects	0	0	0
Debt Service	31,585	30,754	831
Total	<u>\$348,279</u>	<u>\$304,306</u>	<u>\$43,973</u>

**LICKING TOWNSHIP
MUSKINGUM COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$114,067	\$118,001	\$3,934
Special Revenue	185,743	145,277	(40,466)
Debt Service	31,117	31,571	454
Capital Projects	0	0	0
Total	<u>\$330,927</u>	<u>\$294,849</u>	<u>(\$36,078)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$80,200	\$85,636	(\$5,436)
Special Revenue	216,642	153,633	63,009
Debt Service	23,610	32,290	(8,680)
Capital Projects	706	454	252
Total	<u>\$321,158</u>	<u>\$272,013</u>	<u>\$49,145</u>

Accountability and Compliance

Contrary to Ohio law, the certification of availability of unencumbered appropriations for expenditure was not obtained for certain expenditures made during 2003 and 2002.

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the General Fund by \$5,436 and in the Special Assessment Bond Retirement Fund by \$8,680 for the year ended December 31, 2002. Budgetary expenditures exceeded appropriations in the Cemetery Fund by \$700 and in the FEMA Special Revenue Fund by \$1,766 for the year ended December 31, 2003.

Also contrary to Ohio law, amendments made to the Township's appropriations were not formally approved by the Board of Trustees, nor were they certified to the County Auditor.

Also contrary to Ohio law, reduced amended certificates were not obtained when available resources were below the current level of appropriation, in the Motor Vehicle License Tax, Gasoline Tax, Cemetery, and Ambulance and EMS Funds during 2002 and in the Motor Vehicle License Tax, and Road and Bridge Funds during 2003.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

**LICKING TOWNSHIP
MUSKINGUM COUNTY**

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

4. PROPERTY TAX (Continued)

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes - Tractor	\$4,470	5.50%
General Obligation Notes - Mower and Loader	5,200	6.50%
General Obligation Bonds- Dillon Hills Paving	<u>67,563</u>	6.375%
Total:	<u><u>\$77,233</u></u>	

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

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

	<u>General Obligation Notes- Mower and Loader</u>	<u>General Obligation Notes- Tractor</u>	<u>General Obligation Bonds- Paving</u>
Year ending December 31:			
2004	\$5,538	\$2,481	\$21,198
2005		2,358	20,121
2006			19,044
2007			<u>17,968</u>
Total	<u><u>\$5,538</u></u>	<u><u>\$4,839</u></u>	<u><u>\$78,331</u></u>

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions

**LICKING TOWNSHIP
MUSKINGUM COUNTY**

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

required through December 31, 2003.

7. RISK MANAGEMENT

Risk Pool Membership

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

Casualty Coverage

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

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions. The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Financial Position

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

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

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996



Auditor of State Betty Montgomery

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

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

To the Board of Trustees:

We have audited the financial statements of Licking Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated October 1, 2004, wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-002 through 2003-005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-001 and 2003-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the reportable conditions described above to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated October 1, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 1, 2004

**LICKING TOWNSHIP
MUSKINGUM COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Reportable Condition

The Township should post to each receipts account the estimated amount of money anticipated to be received into the account as specified by the county budget commission in its Certificate of Estimated Resources and any amendments thereto.

The Township receipts ledger did not reflect all amounts as listed in the Certificates of Estimated Resources that were filed and approved by the County Auditor in 2003 and 2002. Variances existed between the Certificates of Estimated Resources and the amounts posted to the accounting system throughout the year as follows:

<u>Fund</u>	<u>Amount Per Final Amended Certificate</u>	<u>Amounts Posted to the Accounting System</u>	<u>Variance</u>
<u>December 31, 2003</u>			
General	\$103,458	\$102,404	(\$1,054)
Gasoline Tax	\$57,291	\$55,525	(\$1,766)
Cemetery	\$3,695	\$4,084	\$389
FEMA Special Revenue	\$3,532	\$1,766	(\$1,766)
<u>December 31, 2002</u>			
General	\$114,067	\$114,944	\$877
Special Assessment			
Bond Retirement	\$22,179	\$12,669	(\$9,510)

This resulted in inaccurate budget to actual revenue comparisons in the annual report and for use as a basis for managing the Township.

We recommend the Township records be updated in a timely manner once amendments are made. Only estimated receipts certified in the latest Amended Certificate of Estimated Resources should be posted to the Township's books. The accompanying budgetary presentation includes only budgeted receipts certified to the County Auditor.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 5705.36 allows for all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. During our review, we noted the following instances in which a reduced amended certificated should have been obtained:

**LICKING TOWNSHIP
MUSKINGUM COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-002 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.36 (Continued)

<u>Fund</u>	<u>Total Appropriated</u>	<u>Actual Receipts plus Beginning Fund Balance</u>	<u>Variance</u>
<u>2003</u>			
Motor Vehicle License	\$19,143	\$14,430	(\$4,713)
Road and Bridge	\$61,861	\$59,632	(\$2,229)
<u>2002</u>			
Motor Vehicle License	\$18,358	\$13,969	(\$4,389)
Gasoline Tax	\$61,519	\$57,995	(\$3,524)
Cemetery	\$2,394	\$1,880	(\$514)
Ambulance and EMS	\$46,477	\$4,829	(\$41,648)

In all of the cases above, the amount of the deficiency reduced available resources below the level of appropriation for the applicable year.

We recommend the Township monitor budgeted versus actual receipts more carefully. When the Township anticipates actual receipts falling short of budgeted receipts, then reduced amended certificates should be obtained and appropriations should be reduced accordingly.

FINDING NUMBER 2003-003

Noncompliance Citation and Reportable Condition

Ohio Rev. Code Section 5705.40 provides that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation.

The Township Clerk posted multiple appropriation amendments throughout the audit period. However, the appropriations as approved by the Board of Township Trustees did not agree to the appropriations entered into the appropriations ledger. The following schedule compares approved appropriations to those posted to the appropriations ledger:

**LICKING TOWNSHIP
MUSKINGUM COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-003 (Continued)

Noncompliance Citation and Reportable Condition - Ohio Rev. Code Section 5705.40 (Continued)

<u>Fund</u>	<u>Appropriations Posted to the System</u>	<u>Approved Appropriations</u>	<u>Variance</u>
<u>December 31, 2003</u>			
General	\$136,813	\$108,135	(\$28,678)
Cemetery	\$3,694	\$1,688	(\$2,006)
FEMA	\$1,766	\$0	(\$1,766)
<u>December 31, 2002</u>			
General	\$117,551	\$80,200	(\$37,351)
Special Assessment Bond Retirement	\$23,352	\$14,672	(\$8,680)

As a result, we reduced appropriations as reported in the notes to the financial statements to report only those appropriations approved by the Board. Negative variances resulted, indicating noncompliance with Ohio Revised Code Section 5705.41(B) as reported in finding number 2003-004 below.

We recommend the Board approve all appropriation amendments and note the approval in the Board's minutes. The Clerk should file all appropriation amendments with the County Auditor in order to receive certification from the County Auditor that appropriations do not exceed estimated resources. The Clerk should post appropriation amendments to the accounting system only after both the Board and the County Auditor have approved and certified the amendments.

**LICKING TOWNSHIP
MUSKINGUM COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated. During the year ended December 31, 2003 and 2002, the Township had expenditures which exceeded appropriations as follows:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Expenditures</u>	<u>Variance</u>
<u>December 31, 2003</u>			
Cemetery	\$1,688	\$2,388	(\$700)
FEMA	\$0	\$1,766	(\$1,766)
 <u>December 31, 2002</u>			
General	\$80,200	\$85,637	(\$5,437)
Special Assessment			
Bond Retirement	\$14,672	\$23,351	(\$8,679)

The practice of allowing expenditures to exceed appropriations could result in deficit spending within these funds.

The Township Clerk should deny payment requests exceeding appropriations, as required by Ohio Revised Code Section 5705.41(D). We recommend the Township Clerk and Board of Trustees compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

FINDING NUMBER 2003-005

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 sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**LICKING TOWNSHIP
MUSKINGUM COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-005 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

1. **"Then and Now" certificate** - If the fiscal officer (Clerk) can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Board of Township Trustees) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates 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 certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, 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.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 29% of the expenditures tested and there was no evidence that the Township followed the aforementioned exceptions. Without these certifications, the management of the Township lost budgetary control over expenditures and, as more fully explained in Note 3 to the financial statements, this condition allowed noncompliance with Ohio Revised Code Section 5705.41(B) to occur.

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

**LICKING TOWNSHIP
MUSKINGUM COUNTY**

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

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2003-005 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

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

**LICKING TOWNSHIP
MUSKINGUM COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-001 and 2001-002	Ohio Revised Code Section 5705.10 - revenues not posted to proper funds	Yes	Corrected
2001-003	Article XII, Section 5a, Ohio Const. and 1982 Op. Atty. Gen. No 82-031 - incorrect distribution of interest	Yes	Corrected
2001-004	Ohio Revised Code Section 5705.40 - approval and posting of appropriation amendments	No	Not Corrected – Repeated as Finding Number 2003-003
2001-005	Ohio Revised Code Section 5705.41(D) - proper certification prior to incurring obligations	No	Not Corrected – Repeated as Finding Number 2003-005
2001-006	Ohio Revised Code Section 5705.41(B) - expenditures exceeding appropriations	No	Not Corrected – Repeated as Finding Number 2003-004
2001-007	Board not reviewing monthly financial reports	Yes	Corrected
2001-008	Misclassification of Township receipts	Yes	Corrected
2001-009	Improper posting of budgeted receipts	No	Not Corrected – Repeated as Finding Number 2003-001



**Auditor of State
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**LICKING TOWNSHIP
MUSKINGUM COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 4, 2004**