

**LICKING TOWNSHIP
LICKING COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2007



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, 2007 through December 31, 2007. 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, 2007, 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, 2007, 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.

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.

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, Shannon & Snow, Inc.

January 13, 2009

Wilson, Shannon & Snow, Inc.

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

**LICKING TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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, 2007, within the limitations of the Township's cash basis of 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 2007 are as follows:

- Net assets of governmental activities decreased \$25,969 or 4 percent, from the prior year. The funds most affected by the decrease in cash and cash equivalents were the Gasoline Tax and Fire Operation Funds which realized increased disbursements from 2006.
- The Township's general receipts are primarily property taxes. These receipts represent 53 percent of the total cash received for governmental activities during the year. Property tax receipts for 2007 increased compared to 2006.
- The Township's other major funds which had a significant change from 2006 included the General and Road and Bridge Funds. The General fund experienced a decrease in fund balance of \$7,253 while the Road and Bridge fund experienced an increase in fund balance of \$19,758.

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

Basis of Accounting

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

**LICKING TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

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

Reporting the Township as a Whole

The statement of net assets – cash basis and the statement of activities – cash basis reflect how the Township did financially during 2007, 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.

**LICKING TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

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 (FEMA) Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2007 compared to 2006 on a cash basis:

| | Governmental Activities | |
|--------------------------------|-------------------------|------------|
| | 2007 | 2006 |
| Assets | | |
| Cash and Cash Equivalents | \$ 662,619 | \$ 688,588 |
| Total Assets | \$ 662,619 | \$ 688,588 |
| Net Assets | | |
| Restricted for: | | |
| Street Construction and Repair | \$ 133,309 | \$ 135,933 |
| Fire Operation | 104,306 | 120,494 |
| Permanent Fund | 12,565 | 12,294 |
| Other Purposes | 7,904 | 8,079 |
| Unrestricted | 404,535 | 411,788 |
| Total Net Assets | \$662,619 | \$688,588 |

As mentioned previously, net assets of governmental activities decreased \$25,969 or 4 percent during 2007. The primary reasons contributing to the decrease in cash balances are as follows:

- The Township had increased disbursements primarily within the Fire Operations and Gasoline Tax funds from 2006.

Table 2 reflects the changes in net assets in 2007 and 2006.

**LICKING TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

(Table 2)
Changes in Net Assets

| | Governmental Activities 2007 | Governmental Activities 2006 |
|--|------------------------------------|------------------------------------|
| Cash Receipts: | | |
| Program Receipts: | | |
| Charges for Services and Sales | \$68,885 | \$85,925 |
| Operating Grants and Contributions | 106,077 | 113,447 |
| Capital Grants and Contributions | 87,877 | 162,123 |
| Total Program Receipts | <u>262,839</u> | <u>361,495</u> |
| General Receipts: | | |
| Property and Other Local Taxes | 511,741 | 489,526 |
| Grants and Entitlements Not Restricted to Specific Programs | 137,594 | 179,258 |
| Interest | 26,156 | 13,002 |
| Other | 19,609 | 6,805 |
| Sale of Capital Assets | 10,000 | 0 |
| Total General Receipts | <u>705,100</u> | <u>688,591</u> |
| Total Cash Receipts | <u>967,939</u> | <u>1,050,086</u> |
| Cash Disbursements: | | |
| General Government | 228,407 | 220,679 |
| Public Safety | 365,451 | 409,599 |
| Public Works | 332,615 | 259,814 |
| Health | 23,592 | 22,402 |
| Capital Outlay | 43,843 | 50,977 |
| Total Cash Disbursements | <u>993,908</u> | <u>963,471</u> |
| Change in Net Assets | (25,969) | 86,615 |
| Net Assets, January 1 | <u>688,588</u> | <u>601,973</u> |
| Net Assets, December 31 | <u>\$662,619</u> | <u>\$688,588</u> |

Program receipts represent 27 percent of total cash receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gasoline taxes, and federal grant funds.

General receipts represent 73 percent of the Township's total receipts, and of this amount, 73 percent are local taxes. State grants and entitlements make up the balance of the Township's general receipts (20 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, 2007
UNAUDITED**

Governmental Activities

If you look at the Statement of Activities on page 9 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, Public Works and Capital Outlay, which combined account for 98 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 | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| | 2007 | 2007 | 2006 | 2006 |
| General Government | \$228,407 | \$228,407 | \$220,679 | \$220,679 |
| Public Safety | 365,451 | 228,006 | 409,599 | 186,600 |
| Public Works | 332,615 | 226,538 | 259,814 | 146,367 |
| Health | 23,592 | 4,275 | 22,402 | (2,647) |
| Capital Outlay | 43,843 | 43,843 | 50,977 | 50,977 |
| Total Disbursements | \$993,908 | \$731,069 | \$963,471 | \$601,976 |

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 and other financing sources of \$967,939 and disbursements of \$993,908. The greatest change within governmental funds occurred within the Road & Bridge and Fire Operation Funds. The fund balances increased \$19,758 and decreased \$16,188, respectively.

General Fund disbursements were greater than receipts by \$7,253 indicating that the General Fund is in a deficit spending situation. The Township will continue to monitor its budget in future years to avoid a possible deficit.

The Gasoline Tax Fund had receipts of \$88,732 and disbursements of \$107,750 noting a decrease in fund balance from \$19,018 to \$0.

The Road & Bridge Fund had receipts of \$221,454 and disbursements of \$201,696 noting an increase in fund balance to \$131,502 from \$111,744.

The Fire Operation Fund had receipts and other financing sources of \$305,229 and disbursements of \$321,417 noting a decrease in fund balance of \$16,188 to \$104,306 from \$120,494.

The Federal Emergency Management Agency Fund had receipts of \$87,877 and disbursements of \$87,877.

**LICKING TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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 2007, the Township did not amend original estimated receipts. Final estimated receipts were \$223,684.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2007 the Township did not have outstanding debt.

Contacting the Township's Financial Management

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

**LICKING TOWNSHIP
LICKING COUNTY**

*Statement of Net Assets - Cash Basis
December 31, 2007*

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$662,619</u> |
| <i>Total Assets</i> | <u><u>\$662,619</u></u> |
| | |
| Net Assets | |
| Restricted for: | |
| Street Construction and Repair | \$133,309 |
| Fire Operation | 104,306 |
| Other Purposes | 7,904 |
| Permanent Fund: | |
| Expendable | 12,565 |
| Unrestricted | <u>404,535</u> |
| <i>Total Net Assets</i> | <u><u>\$662,619</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, 2007

| | 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 | \$ 228,407 | \$ - | \$ - | \$ - | \$ (228,407) |
| Public Safety | 365,451 | 49,568 | - | 87,877 | (228,006) |
| Public Works | 332,615 | - | 106,077 | - | (226,538) |
| Health | 23,592 | 19,317 | - | - | (4,275) |
| Capital Outlay | 43,843 | - | - | - | (43,843) |
| <i>Total Governmental Activities</i> | <u>\$ 993,908</u> | <u>\$ 68,885</u> | <u>\$ 106,077</u> | <u>\$ 87,877</u> | <u>(731,069)</u> |
| General Receipts | | | | | |
| Property Taxes Levied for: | | | | | |
| General Purposes | | | | | 511,741 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 137,594 |
| Sale of Capital Assets | | | | | 10,000 |
| Interest | | | | | 26,156 |
| Other | | | | | 19,609 |
| <i>Total General Receipts</i> | | | | | <u>705,100</u> |
| Change in Net Assets | | | | | (25,969) |
| <i>Net Assets Beginning of Year</i> | | | | | <u>688,588</u> |
| <i>Net Assets End of Year</i> | | | | | <u>\$ 662,619</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, 2007*

| | <u>General</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 | \$ 404,535 | \$ 131,502 | \$ 104,306 | \$ 22,276 | \$ 662,619 |
| <i>Total Assets</i> | <u>\$ 404,535</u> | <u>\$ 131,502</u> | <u>\$ 104,306</u> | <u>\$ 22,276</u> | <u>\$ 662,619</u> |
| Fund Balances | | | | | |
| Unreserved: | | | | | |
| Reported in: | | | | | |
| General Fund | 404,535 | - | - | - | 404,535 |
| Special Revenue Funds | - | 131,502 | 104,306 | 9,711 | 245,519 |
| Permanent Fund | - | - | - | 12,565 | 12,565 |
| <i>Total Fund Balances</i> | <u>\$ 404,535</u> | <u>\$ 131,502</u> | <u>\$ 104,306</u> | <u>\$ 22,276</u> | <u>\$ 662,619</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, 2007*

| | General | Gasoline Tax | Road & Bridge | Fire Operation | FEMA | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|-----------------|-------------------|-------------------|---------------|--------------------------------|--------------------------------|
| Cash Receipts | | | | | | | |
| Property and Other Local Taxes | \$ 119,337 | \$ - | \$ 193,986 | \$ 198,418 | \$ - | \$ - | \$ 511,741 |
| Charges for Services | - | - | - | 49,568 | - | - | 49,568 |
| Licenses, Permits and Fees | 16,592 | - | - | - | - | 2,725 | 19,317 |
| Intergovernmental | 79,983 | 86,551 | 25,727 | 31,884 | 87,877 | 19,526 | 331,548 |
| Interest | 23,425 | 2,181 | - | - | - | 550 | 26,156 |
| Other | 9 | - | 1,741 | 15,359 | - | 2,500 | 19,609 |
| <i>Total Cash Receipts</i> | <u>239,346</u> | <u>88,732</u> | <u>221,454</u> | <u>295,229</u> | <u>87,877</u> | <u>25,301</u> | <u>957,939</u> |
| Cash Disbursements | | | | | | | |
| Current: | | | | | | | |
| General Government | 228,407 | - | - | - | - | - | 228,407 |
| Public Safety | - | - | - | 277,574 | 87,877 | - | 365,451 |
| Public Works | - | 107,750 | 201,696 | - | - | 23,169 | 332,615 |
| Health | 18,192 | - | - | - | - | 5,400 | 23,592 |
| Capital Outlay | - | - | - | 43,843 | - | - | 43,843 |
| <i>Total Cash Disbursements</i> | <u>246,599</u> | <u>107,750</u> | <u>201,696</u> | <u>321,417</u> | <u>87,877</u> | <u>28,569</u> | <u>993,908</u> |
| Excess of Receipts Over (Under) Disbursements | <u>(7,253)</u> | <u>(19,018)</u> | <u>19,758</u> | <u>(26,188)</u> | <u>-</u> | <u>(3,268)</u> | <u>(35,969)</u> |
| Other Financing Sources (Uses) | | | | | | | |
| Sale of Capital Assets | - | - | - | 10,000 | - | - | 10,000 |
| <i>Total Other Financing Sources (Uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,000</u> | <u>-</u> | <u>-</u> | <u>10,000</u> |
| <i>Net Change in Fund Balances</i> | <u>(7,253)</u> | <u>(19,018)</u> | <u>19,758</u> | <u>(16,188)</u> | <u>-</u> | <u>(3,268)</u> | <u>(25,969)</u> |
| <i>Fund Balances Beginning 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> |
| <i>Fund Balances End of Year</i> | <u>\$ 404,535</u> | <u>\$ -</u> | <u>\$ 131,502</u> | <u>\$ 104,306</u> | <u>\$ -</u> | <u>\$ 22,276</u> | <u>\$ 662,619</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, 2007

| | <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 | \$ 113,000 | \$ 113,000 | \$ 119,337 | \$ 6,337 |
| Licenses, Permits and Fees | 16,000 | 16,000 | 16,592 | 592 |
| Intergovernmental | 83,034 | 83,034 | 79,983 | (3,051) |
| Interest | 11,000 | 11,000 | 23,425 | 12,425 |
| Other | 650 | 650 | 9 | (641) |
| <i>Total Cash Receipts</i> | <u>223,684</u> | <u>223,684</u> | <u>239,346</u> | <u>15,662</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | - | - | 228,407 | (228,407) |
| Health | - | - | 18,192 | (18,192) |
| <i>Total Cash Disbursements</i> | <u>-</u> | <u>-</u> | <u>246,599</u> | <u>(246,599)</u> |
| <i>Net Change in Fund Balance</i> | 223,684 | 223,684 | (7,253) | (230,937) |
| <i>Fund Balance Beginning of Year</i> | <u>411,788</u> | <u>411,788</u> | <u>411,788</u> | <u>-</u> |
| <i>Fund Balance End of Year</i> | <u>\$ 635,472</u> | <u>\$ 635,472</u> | <u>\$ 404,535</u> | <u>\$ (230,937)</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, 2007*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------|------------------|------------|-----------|---|
| | Original | Final | | |
| Cash Receipts | | | | |
| Intergovernmental | \$ 89,000 | \$ 89,000 | \$ 86,551 | \$ (2,449) |
| Interest | 1,000 | 1,000 | 2,181 | 1,181 |
| <i>Total Cash Receipts</i> | 90,000 | 90,000 | 88,732 | (1,268) |
| Cash Disbursements | | | | |
| Current: | | | | |
| Public Works | - | - | 107,750 | (107,750) |
| <i>Total Cash Disbursements</i> | - | - | 107,750 | (107,750) |
| <i>Net Change in Fund Balance</i> | 90,000 | 90,000 | (19,018) | (109,018) |
| <i>Fund Balance Beginning of Year</i> | 19,018 | 19,018 | 19,018 | - |
| <i>Fund Balance End of Year</i> | \$ 109,018 | \$ 109,018 | \$ - | \$ (109,018) |

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, 2007*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------|------------------|------------|------------|---|
| | Original | Final | | |
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$ 183,120 | \$ 183,120 | \$ 193,986 | \$ 10,866 |
| Intergovernmental | 27,094 | 27,094 | 25,727 | (1,367) |
| Other | 500 | 500 | 1,741 | 1,241 |
| <i>Total Cash Receipts</i> | 210,714 | 210,714 | 221,454 | 10,740 |
| Cash Disbursements | | | | |
| Current: | | | | |
| Public Works | - | - | 201,696 | (201,696) |
| <i>Total Cash Disbursements</i> | - | - | 201,696 | (201,696) |
| <i>Net Change in Fund Balance</i> | 210,714 | 210,714 | 19,758 | (190,956) |
| <i>Fund Balance Beginning of Year</i> | 111,744 | 111,744 | 111,744 | - |
| <i>Fund Balance End of Year</i> | \$ 322,458 | \$ 322,458 | \$ 131,502 | \$ (190,956) |

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, 2007*

| | <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 | \$ 191,000 | \$ 191,000 | \$ 198,418 | \$ 7,418 |
| Charges for Services | 50,000 | 50,000 | 49,568 | (432) |
| Intergovernmental | 22,041 | 22,041 | 31,884 | 9,843 |
| Other | 10,000 | 10,000 | 15,359 | 5,359 |
| <i>Total Cash Receipts</i> | <u>273,041</u> | <u>273,041</u> | <u>295,229</u> | <u>22,188</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Public Safety | - | - | 277,574 | (277,574) |
| Capital Outlay | - | - | 43,843 | (43,843) |
| <i>Total Cash Disbursements</i> | <u>-</u> | <u>-</u> | <u>321,417</u> | <u>(321,417)</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>273,041</u> | <u>273,041</u> | <u>(26,188)</u> | <u>(299,229)</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | - | - | 10,000 | 10,000 |
| <i>Total Other Financing Sources (Uses)</i> | <u>-</u> | <u>-</u> | <u>10,000</u> | <u>10,000</u> |
| <i>Net Change in Fund Balance</i> | 273,041 | 273,041 | (16,188) | (289,229) |
| <i>Fund Balance Beginning of Year</i> | <u>120,494</u> | <u>120,494</u> | <u>120,494</u> | <u>-</u> |
| <i>Fund Balance End of Year</i> | <u>\$ 393,535</u> | <u>\$ 393,535</u> | <u>\$ 104,306</u> | <u>\$ (289,229)</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, 2007*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------|------------------|-------------|---------------|---|
| | Original | Final | | |
| Cash Receipts | | | | |
| Intergovernmental | \$ - | \$ - | \$ 87,877 | \$ 87,877 |
| <i>Total Cash Receipts</i> | <u>-</u> | <u>-</u> | <u>87,877</u> | <u>87,877</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Public Safety | - | - | 87,877 | (87,877) |
| <i>Total Cash Disbursements</i> | <u>-</u> | <u>-</u> | <u>87,877</u> | <u>(87,877)</u> |
| <i>Net Change in Fund Balance</i> | - | - | - | - |
| <i>Fund Balance Beginning of Year</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund Balance End of Year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</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, 2007**

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, fire protection, maintenance of Township roads and bridges, 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 a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

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

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(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 and interest revenue 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, 2007
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

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 Licking County Budget Commission waives the tax budget filing requirement.

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 properly authorize appropriations contrary to Ohio Revised Code Section 5705.38(A) during 2007.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when certified by the Licking County Budget Commission. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources as certified by the Licking County Budget Commission.

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (continued)

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.

During 2007, the Township invested in certificates of deposit and a high yield savings account, 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 2007 was \$23,425.

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, 2007.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The Township did not have interfund loans during 2007.

J. Accumulated Leave

Upon retirement and after ten years of service 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 8 and 9, and in accordance with state law the employer contributions include portions for pension benefits and for postretirement health care benefits.

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (continued)

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, 2007.

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 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, 2007. Unreserved fund balance indicates that a portion of fund balance is available for appropriation in future periods. The Township did not report fund balance reserves at December 31, 2007.

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.

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, 2007.

Note 3 – 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 the cash basis at December 31, 2007.

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(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 – 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;
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;

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 5 – Deposits and Investments (continued)

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 bank failure. At year end, the carrying amount of the Township's deposits was \$662,619 and the bank balance was \$853,265 of which \$714,265 was exposed to custodial credit because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Township to a successful claim by the FDIC.

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 the investments.

Note 6– 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 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2007, 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.

2007 real property taxes are levied after October 1, 2006, on assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of the appraised value. 2007 real property taxes are collected in and intended to finance 2008.

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. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2007 with real property taxes.

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 6– Property Taxes (continued)

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. 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 2007 is 12.5 percent, 6.25 percent for 2008 and zero for 2009.

The full tax rate for all Township operations for the year ended December 31, 2007, was \$5.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

| | |
|-------------------------------|----------------------|
| Real Property | |
| Residential | \$103,367,100 |
| Agriculture | 6,859,540 |
| Commercial/Industrial/Mineral | 5,062,820 |
| Public Utility Property | |
| Personal | 3,559,970 |
| Tangible Property | 1,062,070 |
| Total Assessed Value | <u>\$119,911,500</u> |

Note 7 – 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.

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 7 – Risk Management (continued)

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.

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 | <u>(13,357,837)</u> | <u>(12,120,661)</u> |
| 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 \$10,120. 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.

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 7 – Risk Management (continued)

| | <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.

Note 8 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

Plan Description – The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll, public safety members contributed 9.75 percent and law enforcement members contributed 10.1 percent.

The Township's contribution rate for 2007 was 13.85 percent. For the period January 1 through June 30, a portion of the Township's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Township of 14 percent.

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 8 – Defined Benefit Pension Plan (continued)

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$33,718, \$32,446, and \$31,501 respectively, with 100 percent contributed for 2007, 2006 and 2005.

B. Ohio Police and Fire Pension Fund

Plan Description – 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 pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary to fund pension obligations and the Township is required to contribute 24 percent for plan members. Contributions are authorized by State statute. The Township's contributions to OP&F, including employee and employer amounts paid by the Township, for the year ended December 31, 2007 was \$44,601 or 100% of the required contribution for 2007.

Note 9 – Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part b premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 9 – Postemployment Benefits (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 5 percent of covered payroll from January 1 through June 30 2007 and 6 percent from July 1 through December 31, 2007.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

Plan Description – The Township contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy – OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively.

**LICKING TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 9 – Postemployment Benefits (continued)

The Ohio Police and Fire Pension Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

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

The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll, of which 6.75 percent of covered payroll was applied to the postemployment health care program during 2007. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

Note 10 – 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, 2007, 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. 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: 2007-001 through 2007-003.

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.

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

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 2007-001 through 2007-003 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 2007-001 through 2007-002. We also noted other noncompliance or other matters we reported to the Township's 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, Shuman & Snow, Inc.

January 13, 2009

**LICKING TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007**

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|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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|----------------|----------|
| Finding Number | 2007-001 |
|----------------|----------|

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure shall 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 until 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, 2007.

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 | 2007-002 |
|----------------|----------|

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 2007-001, 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 | 2007-003 |
|----------------|----------|

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, 2007**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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|----------------|----------------------|
| Finding Number | 2007-003 (Continued) |
|----------------|----------------------|

We noted the following control deficiency when testing the Township’s internal control over financial reporting:

- We identified significant audit reclassifications associated with the presentation of Fire Contracts as Charges for Service receipts contrary to miscellaneous, rollback and homestead receipts posted as taxes instead of intergovernmental, and also the sale of capital assets as 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, 2007**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u> |
|----------------|--|------------------|---|
| 2006-001 | Ohio Revised Code Section 5705.38(A) requires the annual appropriation measure be authorized by April 1. | No | Re-issued as Finding 2007-001. |
| 2006-002 | Ohio Revised Code Section 5705.41(B) requires that expenditures should not exceed appropriations. | No | Re-issued as Finding 2007-002. |
| 2006-003 | Financial Reporting | No | Re-issued as Finding 2007-003. |



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