

Lick Township
Jackson County, Ohio
Regular Audit
For the Years Ended December 31, 2004 and 2003

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**Auditor of State
Betty Montgomery**

Board of Trustees
Lick Township, Jackson County
212 Cambrian Ave.
Jackson, OH 45640

We have reviewed the *Independent Auditor's Report* of Lick Township, Jackson County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2003 through December 31, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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. Lick Township, Jackson County is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

February 28, 2006

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**LICK TOWNSHIP
JACKSON COUNTY**

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

Board of Trustees
Lick Township
Jackson County, Ohio
212 Cambrian Avenue
Jackson, OH 45640

We have audited the accompanying financial statements of Lick Township, Jackson County, (the Township) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Government'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 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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the government has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the funds accompanying financial statements presented for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts are materially misstated under accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township's combined funds as of December 31, 2004, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Lick Township, Jackson County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion & Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion & Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2005, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

July 11, 2005

**LICK TOWNSHIP
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$6,239	\$81,832	\$0	\$88,071
Intergovernmental	74,027	87,494	97,843	259,364
Earnings on Investments	4,427	121	0	4,548
Other Revenue	695	5,841	0	6,536
	<u>85,388</u>	<u>175,288</u>	<u>97,843</u>	<u>358,519</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	92,653	0	0	92,653
Public Safety	172	26,200	0	26,372
Public Works	0	118,851	0	118,851
Health	2,081	0	0	2,081
Capital Outlay	0	0	105,587	105,587
Debt Service:				
Principal	0	0	16,278	16,278
Interest	0	0	1,294	1,294
	<u>94,906</u>	<u>145,051</u>	<u>123,159</u>	<u>363,116</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(9,518)</u>	<u>30,237</u>	<u>(25,316)</u>	<u>(4,597)</u>
Other Financing Receipts and (Disbursements):				
Debt Proceeds	0	0	49,642	49,642
	<u>0</u>	<u>0</u>	<u>49,642</u>	<u>49,642</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(9,518)	30,237	24,326	45,045
Fund Cash Balances, January 1	<u>161,040</u>	<u>163,380</u>	<u>81,971</u>	<u>406,391</u>
Fund Cash Balances, December 31	<u>\$151,522</u>	<u>\$193,617</u>	<u>\$106,297</u>	<u>\$451,436</u>

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

**LICK TOWNSHIP
JACKSON 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**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$6,068	\$79,812	\$0	\$85,880
Intergovernmental	62,863	100,860	91,598	255,321
Earnings on Investments	3,862	50	0	3,912
Other Revenue	740	2,513	0	3,253
	<u>73,533</u>	<u>183,235</u>	<u>91,598</u>	<u>348,366</u>
Total Cash Receipts				
	<u>73,533</u>	<u>183,235</u>	<u>91,598</u>	<u>348,366</u>
Cash Disbursements:				
Current:				
General Government	67,503	2,090	0	69,593
Public Safety	172	26,209	0	26,381
Public Works	0	136,681	0	136,681
Health	2,061	0	0	2,061
Other	0	2,929	0	2,929
Capital Outlay	0	0	92,477	92,477
Debt Service:				
Principal	0	0	15,322	15,322
Interest	0	0	2,250	2,250
	<u>69,736</u>	<u>167,909</u>	<u>110,049</u>	<u>347,694</u>
Total Cash Disbursements				
	<u>69,736</u>	<u>167,909</u>	<u>110,049</u>	<u>347,694</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>3,797</u>	<u>15,326</u>	<u>(18,451)</u>	<u>672</u>
Fund Cash Balances, January 1	<u>157,243</u>	<u>148,054</u>	<u>100,422</u>	<u>405,719</u>
Fund Cash Balances, December 31	<u>\$161,040</u>	<u>\$163,380</u>	<u>\$81,971</u>	<u>\$406,391</u>

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

**LICK TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Lick Township, Jackson 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 and fire protection. The Township contracts with the City of Jackson fire department for fire protection services.

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

B. Basis of Accounting

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. 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:

LICK TOWNSHIP
JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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

Issue II Fund - The Township received a grant from the State of Ohio for paving Township roads.

Fire Fund - This fund receives taxes for fire protection for the Township.

3. Capital Projects Funds

The capital projects fund is used to accumulate resources for the payment of capital projects in the township. The township had the following Capital Project Fund:

Permanent Improvement Fund - This fund received permissive sales tax money for constructing, maintaining, and repairing Township roads and bridges.

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.

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.

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 approved 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 as required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

LICK TOWNSHIP
JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(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.

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$126,875	\$122,520
STAROhio	<u>324,561</u>	<u>283,871</u>
Total deposits and investments	<u><u>\$451,436</u></u>	<u><u>\$406,391</u></u>

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

3. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

LICK TOWNSHIP
JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$84,866	\$85,388	\$522
Special Revenue	181,962	175,288	(6,674)
Capital Projects	140,898	147,485	6,587
Total	\$407,726	\$408,161	\$435

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$101,022	\$94,906	\$6,116
Special Revenue	181,785	145,051	36,734
Capital Projects	90,000	123,159	(33,159)
Total	\$372,807	\$363,116	\$9,691

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$74,946	\$73,533	(\$1,413)
Special Revenue	201,738	183,235	(18,503)
Capital Projects	89,698	91,598	1,900
Total	\$366,382	\$348,366	(\$18,016)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$104,220	\$69,736	\$34,484
Special Revenue	176,714	167,909	8,805
Capital Projects	156,000	110,049	45,951
Total	\$436,934	\$347,694	\$89,240

5. 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.

LICK TOWNSHIP
JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

5. PROPERTY TAX (Continued)

Public utilities are also taxed on personal and real property located within the Township.

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

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

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
General Obligation Note	\$14,012	6.00%
Tractor and Mower Note	49,642	5.25%
Total	\$63,654	

The Township obtained a note from Kansas State Bank of Manhattan, in 2004, for the purchase of a tractor and two mowers. The original note amount was for \$49,642 to be repaid in five equal payments of \$11,308 which includes interest. The note is secured solely by the tractor and two mowers.

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

	Tractor and Mower Note	General Obligation Note
Year ending December 31:		
2005	11,308	14,644
2006	11,308	0
2007	11,308	0
2008	11,308	0
2009	11,308	0
Total	\$56,540	\$14,644

7. RETIREMENT SYSTEMS

The Township's elected officials and 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 2004 and 2003, members of PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all employer contributions required through December 31, 2004.

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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*

Board of Trustees
Lick Township
Jackson County, Ohio
212 Cambrian Avenue
Jackson, OH 45640

We have audited the financial statements of Lick Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 11, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Governmental Auditing Standards* and which is described in the accompanying schedule of findings as item 2004-001.

We noted certain matters that we reported to management in a separate letter dated July 11, 2005.

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



Balestra, Harr & Scherer, CPAs, Inc.

July 11, 2005

**LICK TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Revised Code 5705.41(B) states, in part, that no subdivision or taxing unit is to expend money unless it has been appropriated.

It was noted that actual disbursements exceeded appropriations in the Permanent Improvement Fund by \$33,159 in 2004. These variances result in overspending by the Township.

We recommend that the Township properly monitor appropriations versus actual expenditures.

**LICK TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING
FISCAL YEAR END**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-002	Section 5705.41(B) was issued for expenditures exceeding appropriations.	No	Reissued as finding number 2004-001.



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LICK TOWNSHIP

JACKSON 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
MARCH 14, 2006**