

LICKING TOWNSHIP
LICKING COUNTY
REGULAR AUDIT
JANUARY 1, 2016 – DECEMBER 31, 2016





Dave Yost • Auditor of State

Board of Township Trustees
Licking Township
P. O. Box 222
Jacksontown, Ohio 43030

We have reviewed the *Independent Auditor's Report* of Licking Township, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2016 through December 31, 2016. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 6, 2018

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**LICKING TOWNSHIP
LICKING COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Licking Township
Licking County
P.O. Box 222
Jacksontown, Ohio 43030

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying modified cash-basis 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, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Licking Township
Licking County
Independent Auditor's Report

Opinion

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

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the modified cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2016, the Township has elected to change its financial presentation to a modified cash basis comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2018, 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 internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Wilson, Shuman & Snow, Inc.

March 12, 2018
Newark, Ohio

Licking Township
Licking County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

This discussion and analysis of Licking Township, Licking County, Ohio (the Township) financial activities for the year ended December 31, 2016, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2016 are as follows:

- Net position of governmental activities decreased \$46,833, or 1 percent as receipts matched disbursements for the year.
- The Township's general receipts are primarily property taxes. These receipts represent 63 percent of the total cash received for governmental activities. during the year.

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 modified cash basis of accounting.

Report Components

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

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

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

Basis of Accounting

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

As a result of using the modified 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.

Licking Township
Licking County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

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 modified cash basis of accounting.

Reporting the Township as a Whole

The statement of net position and the statement of activities reflect how the Township did financially during 2016, within the limitations of modified cash basis accounting. The statement of net position presents the cash balances and investments of the governmental type activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors 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 position and the statement of activities, we divide the Township into the following type of activities:

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

Reporting the Township's Most Significant Funds

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

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

Licking Township
Licking County, Ohio
 Management's Discussion and Analysis
 For the Year Ended December 31, 2016
 (Unaudited)

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

The Township as a Whole

Table 1 provides a summary of the Township's net position for 2016 compared to 2015 on the modified cash basis of accounting:

(Table 1)
Net Position

	Governmental Activities	
	2016	2015
Assets		
Cash and Cash Equivalents	\$ 2,072,554	\$ 2,149,387
Investments	2,144,752	2,114,752
Total Assets	\$4,217,306	\$4,264,139
Net Position		
Restricted for:		
Permanent Fund Purpose:		
Expendable	\$ 3,531	\$ 12,948
Nonexpendable	9,500	0
Other Purposes	664,286	702,955
Unrestricted	3,539,989	3,548,236
Total Net Position	\$4,217,306	\$4,264,139

As mentioned previously, net position of governmental activities decreased \$46,833 or 1 percent.

Table 2 reflects the changes in net position for the years ended December 31, 2016 and 2015.

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Licking Township
Licking County, Ohio
 Management's Discussion and Analysis
 For the Year Ended December 31, 2016
 (Unaudited)

(Table 2)
Changes in Net Position

	Governmental Activities 2016	Governmental Activities 2015
	<u>2016</u>	<u>2015</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$105,624	\$86,540
Operating Grants and Contributions	154,339	166,416
Total Program Receipts	<u>259,963</u>	<u>252,956</u>
General Receipts:		
Property and Other Local Taxes	636,706	632,412
Cable Franchise Fees	18,602	18,710
Grants and Entitlements Not Restricted to Specific Programs	35,636	71,419
Interest	50,704	44,377
Miscellaneous	8,946	6,513
Total General Receipts	<u>750,594</u>	<u>773,431</u>
Total Receipts	<u>1,010,557</u>	<u>1,026,387</u>
Disbursements:		
General Government	253,801	234,272
Public Safety	378,682	312,624
Public Works	355,481	518,761
Health	26,820	26,498
Capital Outlay	42,606	0
Total Disbursements	<u>1,057,390</u>	<u>1,092,155</u>
Decrease in Net Position	(46,833)	(65,768)
Net Position, January 1	<u>4,264,139</u>	<u>4,329,907</u>
Net Position, December 31	<u>\$4,217,306</u>	<u>\$4,264,139</u>

Program receipts represent 26 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gasoline taxes and charges to local townships for emergency and fire services provided under contract.

General receipts represent 74 percent of the Township's total receipts, and of this amount, 85 percent are local taxes. Earnings on investments comprise the second largest portion of general receipts received.

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 are 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, Ohio
 Management's Discussion and Analysis
 For the Year Ended December 31, 2016
 (Unaudited)

Governmental Activities

If you look at the Statement of Activities, 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 Public Works and Public Safety, which combined account for a significant portion 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 Receipts (Disbursements) 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	Net Cost	Total Cost	Net Cost
	Of Services	of Services	Of Services	of Services
	2016	2016	2015	2015
General Government	\$253,801	\$213,436	\$234,272	\$182,610
Public Safety	378,682	283,878	312,624	238,038
Public Works	355,481	241,507	518,761	404,007
Health	26,820	16,800	26,498	15,894
Other	0	(800)	0	(1,350)
Capital Outlay	42,606	42,606	0	0
Total Expenses	\$1,057,390	\$797,427	\$1,092,155	\$839,199

The Government's Funds

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements.

The Township's governmental funds reported a combined fund balance of \$4,217,306 which is \$46,833 lower than last year's total of \$4,264,139. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2016 for all major and non-major governmental funds.

	Fund Balances 12/31/2016	Fund Balances 12/31/2015	Increase (Decrease)
Major funds:			
General	\$ 3,539,989	\$ 3,548,236	\$ (8,247)
Road and Bridge	163,281	207,557	(44,276)
Fire	292,436	342,011	(49,575)
Other Governmental	221,600	166,335	55,265
Total	\$ 4,217,306	\$ 4,264,139	\$ (46,833)

Licking Township
Licking County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

The General Fund had receipts of \$272,354 and disbursements of \$280,601 in 2016. The net decrease in fund balance for the general fund was \$8,247 or less than 1%.

The Road and Bridge Fund had receipts of \$251,613 and disbursements of \$295,889 in 2016. The net decrease in fund balance was \$44,276 or 21%

The Fire Fund had receipts of \$368,438 and disbursements of \$418,013 in 2016. The net decrease in fund balance was \$49,575 or 14%

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 2016, the Township did not amend its General Fund budget.

Final disbursements were budgeted at \$3,784,045 while actual disbursements were \$281,151. Final receipts of \$272,354 were greater than estimates by \$36,545.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2016, the Township did not have any debt outstanding.

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 Andrea Lynch, Fiscal Officer, Licking Township, 6737 White Chapel Road., Jacksontown, Ohio 43030.

Licking Township
Licking County, Ohio
Statement of Net Position - Modified Cash Basis
December, 31, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,072,554
Investments	2,144,752
<i>Total Assets</i>	\$4,217,306
 Net Position	
Restricted for:	
Permanent Fund Purpose:	
Expendable	\$3,531
Nonexpendable	9,500
Other Purposes	664,286
Unrestricted	3,539,989
<i>Total Net Position</i>	\$4,217,306

See accompanying notes to the basic financial statements

Licking Township
Licking County, Ohio
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2016

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
General Government	\$253,801	\$0	\$40,365	(\$213,436)
Public Safety	378,682	94,804	0	(283,878)
Public Works	355,481	0	113,974	(241,507)
Health	26,820	10,020	0	(16,800)
Other	0	800	0	800
Capital Outlay	42,606	0	0	(42,606)
Total Governmental Activities	<u>\$1,057,390</u>	<u>\$105,624</u>	<u>\$154,339</u>	<u>(797,427)</u>
General Receipts:				
Property Taxes Levied for:				
General Purposes				147,290
Road and Bridge				234,294
Fire				255,122
Grants and Entitlements not Restricted to Specific Programs				35,636
Cable Franchise Fees				18,602
Earnings on Investments				50,704
Miscellaneous				8,946
Total General Receipts				<u>750,594</u>
<i>Change in Net Position</i>				(46,833)
<i>Net Position Beginning of Year</i>				<u>4,264,139</u>
<i>Net Position End of Year</i>				<u>\$4,217,306</u>

See accompanying notes to the basic financial statements

Licking Township
Licking County, Ohio
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
December 31, 2016

	General	Road & Bridge Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,399,737	\$163,281	\$292,436	\$217,100	\$2,072,554
Investments	2,140,252	0	0	4,500	2,144,752
<i>Total Assets</i>	<u>\$3,539,989</u>	<u>\$163,281</u>	<u>\$292,436</u>	<u>\$221,600</u>	<u>\$4,217,306</u>
Fund Balances					
Nonspendable	\$0	\$0	\$0	\$9,500	\$9,500
Restricted:					
Cemetery	0	0	0	128,735	128,735
Fire Operations	0	0	292,436	0	292,436
Road and Bridge Improvements	0	163,281	0	83,365	246,646
Assigned:					
Subsequent Year Appropriations	3,539,439	0	0	0	3,539,439
Future Commitments	550	0	0	0	550
<i>Total Fund Balances</i>	<u>\$3,539,989</u>	<u>\$163,281</u>	<u>\$292,436</u>	<u>\$221,600</u>	<u>\$4,217,306</u>

See accompanying notes to the basic financial statements

Licking Township
Licking County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2016

	General	Road & Bridge Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$147,290	\$234,294	\$255,122	\$0	\$636,706
Charges for Services	0	0	94,804	0	94,804
Licenses, Permits and Fees	24,857	0	0	1,565	26,422
Intergovernmental	47,153	16,982	11,866	113,974	189,975
Earnings on Investments	50,291	0	0	413	50,704
Miscellaneous	2,763	337	6,646	2,200	11,946
<i>Total Receipts</i>	<u>272,354</u>	<u>251,613</u>	<u>368,438</u>	<u>118,152</u>	<u>1,010,557</u>
Disbursements					
Current:					
General Government	253,801	0	0	0	253,801
Public Safety	0	0	378,682	0	378,682
Public Works	0	295,889	0	59,592	355,481
Health	23,525	0	0	3,295	26,820
Capital Outlay	3,275	0	39,331	0	42,606
<i>Total Disbursements</i>	<u>280,601</u>	<u>295,889</u>	<u>418,013</u>	<u>62,887</u>	<u>1,057,390</u>
<i>Net Change in Fund Balances</i>	(8,247)	(44,276)	(49,575)	55,265	(46,833)
<i>Fund Balances Beginning of Year</i>	<u>3,548,236</u>	<u>207,557</u>	<u>342,011</u>	<u>166,335</u>	<u>4,264,139</u>
<i>Fund Balances End of Year</i>	<u>\$3,539,989</u>	<u>\$163,281</u>	<u>\$292,436</u>	<u>\$221,600</u>	<u>\$4,217,306</u>

See accompanying notes to the basic financial statements

Licking Township
Licking County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$155,500	\$155,500	\$147,290	(\$8,210)
Licenses, Permits and Fees	21,000	21,000	24,857	3,857
Intergovernmental	41,209	41,209	47,153	5,944
Earnings on Investments	18,000	18,000	50,291	32,291
Miscellaneous	100	100	2,763	2,663
<i>Total Receipts</i>	235,809	235,809	272,354	36,545
Disbursements				
Current:				
General Government	3,740,045	3,740,045	254,351	3,485,694
Health	33,000	33,000	23,525	9,475
Capital Outlay	11,000	11,000	3,275	7,725
<i>Total Disbursements</i>	3,784,045	3,784,045	281,151	3,502,894
<i>Net Change in Fund Balance</i>	(3,548,236)	(3,548,236)	(8,797)	3,539,439
<i>Unencumbered Fund Balance Beginning of Year</i>	3,544,236	3,544,236	3,544,236	0
Prior Year Encumbrances Appropriated	4,000	4,000	4,000	0
<i>Unencumbered Fund Balance End of Year</i>	\$0	\$0	\$3,539,439	\$3,539,439

See accompanying notes to the basic financial statements

Licking Township
Licking County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$228,418	\$228,418	\$234,294	\$5,876
Intergovernmental	20,000	20,000	16,982	(3,018)
Miscellaneous	1,000	1,000	337	(663)
<i>Total Receipts</i>	249,418	249,418	251,613	2,195
Disbursements				
Current:				
Public Works	456,975	456,975	296,923	160,052
<i>Total Disbursements</i>	456,975	456,975	296,923	160,052
<i>Net Change in Fund Balance</i>	(207,557)	(207,557)	(45,310)	162,247
<i>Unencumbered Fund Balance Beginning of Year</i>	207,557	207,557	207,557	0
<i>Unencumbered Fund Balance End of Year</i>	\$0	\$0	\$162,247	\$162,247

See accompanying notes to the basic financial statements

Licking Township
Licking County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$278,204	\$278,204	\$255,122	(\$23,082)
Charges for Services	74,000	74,000	94,804	20,804
Intergovernmental	20,000	20,000	11,866	(8,134)
Miscellaneous	6,000	6,000	6,537	537
<i>Total Receipts</i>	378,204	378,204	368,329	(9,875)
Disbursements				
Current:				
Public Safety	672,215	672,215	382,064	290,151
Capital Outlay	48,000	48,000	39,331	8,669
<i>Total Disbursements</i>	720,215	720,215	421,395	298,820
<i>Net Change in Fund Balance</i>	(342,011)	(342,011)	(53,066)	288,945
<i>Unencumbered Fund Balance Beginning of Year</i>	284,395	284,395	284,395	0
Prior Year Encumbrances Appropriated	57,725	57,725	57,725	0
<i>Unencumbered Fund Balance End of Year</i>	\$109	\$109	\$289,054	\$288,945

See accompanying notes to the basic financial statements

Licking Township
Licking County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services to Licking Township, Bowling Green Township and Franklin Township.

Public Entity Risk Pools

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) and the Ohio Public Entity Consortium (through the Ohio Insurances Agency), which is a public entity risk pool. Notes 7 and 11 to the financial statements provide additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

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 the Basis of Accounting section of this Note, these financial statements are presented on a modified cash basis of accounting. This modified 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 modified cash basis of accounting.

Basis of Presentation

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

Government-Wide Financial Statements The statement of net position and the statement of activities 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.

Licking Township
Licking County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

The statement of net position presents the cash and investment balances of the governmental activities of the Township at year-end. The statement of activities 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 are 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 or business-type activity is self-financing on a modified 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 and enterprise 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.

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. The funds of the Township are limited to governmental fund types.

Governmental Funds Governmental funds are those through which most governmental functions of the Township are financed. The following are the Township's major governmental funds:

General The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Road and Bridge Fund The road and bridge fund accounts for and reports property tax committed for the construction, reconstruction, resurfacing and repair of Township roads and bridges.

Fire Fund The fire fund accounts for and reports property tax committed for fire and emergency services.

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

Licking Township
Licking County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. 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 modified 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 liabilities and the related expenses) are not recorded in these financial statements.

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 resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

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

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

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

Cash and Investments

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

Licking Township
Licking County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

During 2016, the Township invested in certificates of deposit which are reported at cost.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. The Township did not report restricted assets at December 31, 2016.

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.

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.

Accumulated Leave

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

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, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

Long-Term Obligations

The Township's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. The Township did not have outstanding debt at December 31, 2016.

Licking Township
Licking County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Net Position

Net position is 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 position restricted for other purposes include resources restricted for fire operations, road and bridge maintenance and repair and cemetery operations.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available. Restricted net position reported by the Township was not by enabling legislation.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Township Trustees, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute. State Statute authorizes the Township Clerk to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Licking Township
Licking County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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.

Note 3 – Change in Basis of Accounting

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

Note 4 – 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 Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, road and bridge fund and fire fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis relates to outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (*modified* cash basis). Outstanding encumbrances within the General Fund, Road and Bridge Fund and Fire Fund were \$550, \$1,034, and \$3,382, respectively.

Licking Township
Licking County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

Licking Township
Licking County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 5 – Deposits and Investments (Continued)

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the clerk/treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,743,096 of the Township's bank balance of \$4,243,096 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Township to a successful claim by the Federal Deposit Insurance Corporation.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by: 1) Eligible securities pledged to the Township and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2016, the Township had the following investments:

	<u>Measurement Value</u>	<u>Maturity</u>
Certificate of Deposit 1	\$4,500	10/01/17
Certificate of Deposit 3	30,000	06/20/20
Certificate of Deposit 4	110,252	06/22/20
Estate Tax Certificate of Deposit 1	1,500,000	05/23/19
Estate Tax Certificate of Deposit 2	500,000	05/05/20
Total Portfolio	<u><u>\$2,144,752</u></u>	

Licking Township
Licking County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 5 – Deposits and Investments (Continued)

Investment Type	Measurement Value	Investment Maturities (in Years)	
		Less than 1	3-5
Federal Home Loan	\$2,144,752	\$4,500	\$2,140,252
Total Investments	\$2,144,752	\$4,500	\$2,140,252

Interest Rate Risk Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase.

Credit Risk The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

Concentration of Credit Risk The Township places no limit on the amount it may invest in any one issuer. Certificates of deposit comprise 100% of total Township investments.

Note 6 – Taxes

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Township. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20.

Under certain circumstances, State statute permits later payment dates to be established.

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

Licking Township
Licking County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 6 – Taxes (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2016, the Township contracted with several companies for various types of insurance coverage as follows:

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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 and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

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, 2016.

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment.

Licking Township
Licking County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 7 – Risk Management (Continued)

As of December 31, 2016, the Township’s share of these unpaid claims collectible in future years is approximately \$6,987.

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

<u>2016 Contributions to OTARMA</u> \$15,526
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After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim 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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Township employees, other than full-time firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Township employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Licking Township
Licking County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 8 – Defined Benefit Pension Plan (Continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

Licking Township
Licking County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 8 – Defined Benefit Pension Plan (Continued)

	State and Local	Public Safety
2016 Statutory Maximum Contribution Rates		
Employer	14.0 %	18.1 %
Employee	10.0 %	*
2016 Actual Contribution Rates		
Employer:		
Pension	12.0 %	17.1 %
Post-employment Health Care Benefits	2.0	1.0
Total Employer	14.0 %	18.1 %
Employee	10.0 %	12.0 %

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Township's contractually required contribution was \$18,779 for year 2016.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description – Township full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

Licking Township
Licking County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 8 – Defined Benefit Pension Plan (Continued)

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member’s base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Firefighters</u>
2016 Statutory Maximum Contribution Rates	
Employer	24.00 %
Employee	12.25 %
 2016 Actual Contribution Rates	
Employer:	
Pension	23.50 %
Post-employment Health Care Benefits	0.50
Total Employer	24.00 %
 Employee	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Township’s contractually required contribution to OP&F was \$13,866 for 2016.

Licking Township
Licking County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 9 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, 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 the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Licking Township
Licking County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 9 – Postemployment Benefits (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Substantially all of the Township's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the year ended December 31, 2016 (the only information available) was \$376. The full amount has been contributed by the Township.

Ohio Police and Fire Pension Fund

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

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

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

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

Licking Township
Licking County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 9 – Postemployment Benefits (Continued)

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care 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.

The Township's contribution to OP&F for the year ended December 31, 2016 (the only information available), was \$69. The full amount has been contributed by the Township.

Note 10 – Contingent Liabilities

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Township's financial condition.

Note 11 – Public Entity Risk Pool

The Township pays premiums to the Ohio Public Entity Consortium (through the Ohio Insurances Agency) providing health care insurance providing benefits for hospitalization, surgical care, medical care, and prescription drug coverage.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Licking Township
Licking County
P.O. Box 222
Jacksontown, Ohio 43030

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated March 12, 2018, wherein we noted the Township changed the presentation to a modified cash basis comparable to the requirements of *Governmental Accounting Standards*.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2016-001 to be a significant deficiency.

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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Wilson, Shuman & Snow, Inc.

March 12, 2018
Newark, Ohio

**LICKING TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2016-001
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Financial Reporting

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Auditor of State Bulletin 2015-007 *Required "Annual Financial Report Filing by Public Offices and Other Entities Required to File"* provides comprehensive guidance related to required annual financial report filings by public offices required to file, including the completeness and accuracy of the financial statements and notes to the financial statements filed with the AOS HINKLE system.

Testing of the 2016 modified cash basis financial statements and notes to the financial statements filed with the AOS HINKLE system identified the following discrepancies:

- Auditor of State Bulletin 2011-004 provides guidance on the implementation of Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, specifically the proper presentation of fund balances as nonspendable, restricted, committed, assigned and unassigned. Audit reclassifications totaling \$3,539,439 were required within the General Fund to properly present assigned fund balance – subsequent year appropriations and assigned fund balance – encumbrances. An audit reclassification was also required within the Township’s Other Governmental Funds – Permanent Fund, to properly present the corpus as nonspendable fund balance totaling \$9,500.
- An audit reclassification of \$30,000 was necessary to properly present certificates of deposit as investments contrary to cash and cash equivalents within the Statement of Net Position and the General Fund.
- The notes to the financial statements filed with the AOS HINKLE system required significant revisions to properly present and reconcile financial information to the underlying modified cash basis financial statements.

We recommend the Township develop procedures to review the presentation of its fund balances within the UAN accounting system prior to finalizing its year-end financial statements and filing the Township’s financial statements and notes to the financial statements with the AOS HINKLE system.

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**Licking Township
Licking County
P.O. Box 222
Jacksontown, Ohio 43030**

**LICKING TOWNSHIP
LICKING COUNTY**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The Township will monitor the preparation of the basic financial statements.	December 31, 2018	Andrea Lynch, Fiscal Officer

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Dave Yost • 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
APRIL 19, 2018