



Dave Yost • Auditor of State

**MADISON TOWNSHIP
LICKING COUNTY
DECEMBER 31, 2017 and 2016**

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MADISON TOWNSHIP
LICKING COUNTY
DECEMBER 31, 2017 and 2016

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Madison Township
Licking County
176 Valley View Dr. SE
Newark, OH 43056

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison Township, Licking County, Ohio (the Township), as of and for the years ended December 31, 2017 and 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 cash accounting basis Note 2 describes. This responsibility includes determining that the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison Township, Licking County, Ohio, as of December 31, 2017 and 2016, and the respective changes in cash financial position and the respective budgetary comparison for the General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, General Fire, and Fire Levy funds thereof for the years 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 cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 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.



Dave Yost
Auditor of State
Columbus, Ohio

October 16, 2018

MADISON TOWNSHIP, LICKING COUNTY
Statement of Net Position - Cash Basis
December 31, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$788,703
	<u>\$788,703</u>
Total Assets	
Net Position	
Restricted for:	
Other Purposes	480,990
Unrestricted	307,713
	<u>\$788,703</u>
Total Net Position	

See accompanying notes to the basic financial statements.

MADISON TOWNSHIP, LICKING COUNTY

Statement of Activities - Cash Basis

For the Year Ended December 31, 2017

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Receipts and Changes in Net Position
Governmental Activities					
Current:					
General Government	\$158,389	\$0	\$0	\$0	(\$158,389)
Public Safety	186,650	0	0	0	(186,650)
Public Works	413,691	0	108,879	0	(304,812)
Health	271,147	0	0	0	(271,147)
Capital Outlay	537	0	0	0	(537)
Total Governmental Activities	\$1,030,414	\$0	\$108,879	\$0	(921,535)

General Receipts:

Property Taxes	627,974
Grants and Entitlements not Restricted to Specific Programs	105,811
Earnings on Investments	6,829
Miscellaneous	32,040
<i>Total General Receipts, Contributions to Permanent Fund,</i>	<u>772,654</u>
<i>Change in Net Position</i>	(148,881)
Net Position Beginning of Year	<u>937,584</u>
<i>Net Position End of Year</i>	<u><u>\$788,703</u></u>

See accompanying notes to the basic financial statements.

MADISON TOWNSHIP, LICKING COUNTY
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2017

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	General Fire Fund	FIRE LEVY Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$307,713	\$17,648	\$146,332	\$225,518	\$88,098	\$3,394	\$788,703
<i>Total Assets</i>	<u>\$307,713</u>	<u>\$17,648</u>	<u>\$146,332</u>	<u>\$225,518</u>	<u>\$88,098</u>	<u>\$3,394</u>	<u>\$788,703</u>
Fund Cash Balances, December 31							
Restricted	0	17,648	146,332	225,518	88,098	3,394	480,990
Assigned	133,884	0	0	0	0	0	133,884
Unassigned	173,829	0	0	0	0	0	173,829
<i>Fund Cash Balances, December 31</i>	<u>\$307,713</u>	<u>\$17,648</u>	<u>\$146,332</u>	<u>\$225,518</u>	<u>\$88,098</u>	<u>\$3,394</u>	<u>\$788,703</u>

See accompanying notes to the basic financial statements.

MADISON TOWNSHIP, LICKING COUNTY

**Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds**

For the Year Ended December 31, 2017

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	General Fire Fund	FIRE LEVY Fund	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$134,416	\$0	\$254,263	\$118,844	\$120,451	\$0	\$627,974
Licenses, Permits and Fees	2,225	0	0	0	0	0	2,225
Intergovernmental	46,507	88,697	18,850	21,247	19,207	20,182	214,690
Earnings on Investments	6,031	570	0	0	0	228	6,829
Miscellaneous	4,525	0	25,290	0	0	0	29,815
<i>Total Receipts</i>	<u>193,704</u>	<u>89,267</u>	<u>298,403</u>	<u>140,091</u>	<u>139,658</u>	<u>20,410</u>	<u>881,533</u>
Disbursements							
Current:							
General Government	158,034	0	355	0	0	0	158,389
Public Safety	0	0	0	64,591	122,059	0	186,650
Public Works	2,478	154,652	193,875	0	0	62,686	413,691
Health	2,996	0	268,151	0	0	0	271,147
Capital Outlay	0	0	0	537	0	0	537
<i>Total Disbursements</i>	<u>163,508</u>	<u>154,652</u>	<u>462,381</u>	<u>65,128</u>	<u>122,059</u>	<u>62,686</u>	<u>1,030,414</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>30,196</u>	<u>(65,385)</u>	<u>(163,978)</u>	<u>74,963</u>	<u>17,599</u>	<u>(42,276)</u>	<u>(148,881)</u>
<i>Net Change in Fund Balances</i>	<u>30,196</u>	<u>(65,385)</u>	<u>(163,978)</u>	<u>74,963</u>	<u>17,599</u>	<u>(42,276)</u>	<u>(148,881)</u>
Fund Balances Beginning of Year	277,517	83,033	310,310	150,555	70,499	45,670	937,584
<i>Fund Balances End of Year</i>	<u>\$307,713</u>	<u>\$17,648</u>	<u>\$146,332</u>	<u>\$225,518</u>	<u>\$88,098</u>	<u>\$3,394</u>	<u>\$788,703</u>

See accompanying notes to the basic financial statements.

MADISON TOWNSHIP, LICKING COUNTY

Statement of Receipts, Disbursements and Changes in Fund Balance-
Budget and Actual - Budget Basis
General Fund
 For the Year Ended December 31, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$127,001	\$127,001	\$134,416	\$7,415
Licenses, Permits and Fees	2,000	2,000	2,225	225
Intergovernmental	39,102	39,102	46,507	7,405
Earnings on Investments	500	500	6,031	5,531
Miscellaneous	500	500	4,525	4,025
<i>Total Receipts</i>	<u>169,103</u>	<u>169,103</u>	<u>193,704</u>	<u>24,601</u>
Disbursements				
Current:				
General Government	326,024	326,024	160,362	165,662
Public Works	13,000	13,000	2,478	10,522
Health	4,000	4,000	2,996	1,004
Capital Outlay	1,000	1,000	0	1,000
<i>Total Disbursements</i>	<u>344,024</u>	<u>344,024</u>	<u>165,836</u>	<u>178,188</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(174,921)</u>	<u>(174,921)</u>	<u>27,868</u>	<u>202,789</u>
<i>Net Change in Fund Balance</i>	<u>(174,921)</u>	<u>(174,921)</u>	<u>27,868</u>	<u>202,789</u>
Unencumbered Fund Balance Beginning of Year	276,492	276,492	276,492	0
Prior Year Encumbrances Appropriated	1,025	1,025	1,025	0
<i>Unencumbered Balance End of Year</i>	<u>\$102,596</u>	<u>\$102,596</u>	<u>\$305,385</u>	<u>\$202,789</u>

See accompanying notes to the basic financial statements.

MADISON TOWNSHIP, LICKING COUNTY

**Statement of Receipts, Disbursements and Changes in Fund Balance - Budget
and
Actual - Budget Basis
Gasoline Tax Fund**

For the Year Ended December 31, 2017

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$85,000	\$85,000	\$88,697	\$3,697
Earnings on Investments	100	100	570	470
<i>Total Receipts</i>	<u>85,100</u>	<u>85,100</u>	<u>89,267</u>	<u>4,167</u>
Disbursements				
Current:				
Public Works	95,000	168,000	154,652	13,348
<i>Total Disbursements</i>	<u>95,000</u>	<u>168,000</u>	<u>154,652</u>	<u>13,348</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,900)</u>	<u>(82,900)</u>	<u>(65,385)</u>	<u>17,515</u>
<i>Net Change in Fund Balance</i>	<u>(9,900)</u>	<u>(82,900)</u>	<u>(65,385)</u>	<u>17,515</u>
Unencumbered Fund Balance Beginning of Year	83,033	83,033	83,033	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Unencumbered Balance End of Year</i>	<u>\$73,133</u>	<u>\$133</u>	<u>\$17,648</u>	<u>\$17,515</u>

See accompanying notes to the basic financial statements.

MADISON TOWNSHIP, LICKING COUNTY

**Statement of Receipts, Disbursements and Changes in Fund Balance - Budget
and
Actual - Budget Basis
Road and Bridge Fund**

For the Year Ended December 31, 2017

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$231,640	\$231,640	\$254,263	\$22,623
Intergovernmental	37,362	37,362	18,850	(18,512)
Miscellaneous	0	0	25,290	25,290
<i>Total Receipts</i>	<u>269,002</u>	<u>269,002</u>	<u>298,403</u>	<u>29,401</u>
Disbursements				
Current:				
General Government	0	500	355	145
Public Works	292,479	291,979	195,574	96,405
Health	270,000	270,000	268,150	1,850
Capital Outlay	5,000	5,000	0	5,000
Debt Service:				
Principal Retirement	10,000	10,000	0	10,000
Interest and Fiscal Charges	1,000	1,000	0	1,000
<i>Total Disbursements</i>	<u>578,479</u>	<u>578,479</u>	<u>464,079</u>	<u>114,400</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(309,477)</u>	<u>(309,477)</u>	<u>(165,676)</u>	<u>143,801</u>
<i>Net Change in Fund Balance</i>	<u>(309,477)</u>	<u>(309,477)</u>	<u>(165,676)</u>	<u>143,801</u>
Unencumbered Fund Balance Beginning of Year	290,773	290,773	290,773	0
Prior Year Encumbrances Appropriated	19,537	19,537	19,537	0
<i>Unencumbered Balance End of Year</i>	<u>\$833</u>	<u>\$833</u>	<u>\$144,634</u>	<u>\$143,801</u>

See accompanying notes to the basic financial statements.

MADISON TOWNSHIP, LICKING COUNTY

**Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and
Actual - Budget Basis
General Fire Fund**

For the Year Ended December 31, 2017

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$116,853	\$116,853	\$118,844	\$1,991
Intergovernmental	18,684	18,684	21,247	2,563
<i>Total Receipts</i>	<u>135,537</u>	<u>135,537</u>	<u>140,091</u>	<u>4,554</u>
Disbursements				
Current:				
Public Safety	171,448	171,448	64,591	106,857
Capital Outlay	1,000	1,000	537	463
<i>Total Disbursements</i>	<u>172,448</u>	<u>172,448</u>	<u>65,128</u>	<u>107,320</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(36,911)</u>	<u>(36,911)</u>	<u>74,963</u>	<u>111,874</u>
<i>Net Change in Fund Balance</i>	<u>(36,911)</u>	<u>(36,911)</u>	<u>74,963</u>	<u>111,874</u>
Unencumbered Fund Balance Beginning of Year	134,057	134,057	134,057	0
Prior Year Encumbrances Appropriated	16,498	16,498	16,498	0
<i>Unencumbered Balance End of Year</i>	<u>\$113,644</u>	<u>\$113,644</u>	<u>\$225,518</u>	<u>\$111,874</u>

See accompanying notes to the basic financial statements.

MADISON TOWNSHIP, LICKING COUNTY

**Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and
Actual - Budget Basis
Fire Levy Fund**

For the Year Ended December 31, 2017

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$118,484	\$118,484	\$120,451	\$1,967
Intergovernmental	19,096	19,096	19,207	111
<i>Total Receipts</i>	<u>137,580</u>	<u>137,580</u>	<u>139,658</u>	<u>2,078</u>
Disbursements				
Current:				
Public Safety	178,300	178,300	122,059	56,241
<i>Total Disbursements</i>	<u>178,300</u>	<u>178,300</u>	<u>122,059</u>	<u>56,241</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(40,720)</u>	<u>(40,720)</u>	<u>17,599</u>	<u>58,319</u>
<i>Net Change in Fund Balance</i>	<u>(40,720)</u>	<u>(40,720)</u>	<u>17,599</u>	<u>58,319</u>
Unencumbered Fund Balance Beginning of Year	70,499	70,499	70,499	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Unencumbered Balance End of Year</i>	<u>\$29,779</u>	<u>\$29,779</u>	<u>\$88,098</u>	<u>\$58,319</u>

See accompanying notes to the basic financial statements.

1. DESCRIPTION OF THE REPORTING ENTITY

Reporting Entity

Madison Township, Licking County, Ohio, is a body politic and corporate established in 1812 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 general government services, maintenance of Township roads and bridges, volunteer and part-time fire and emergency medical services, zoning services, and cemetery maintenance. Police protection is provided by the Licking County Sheriff.

Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

Madison Township has no component units.

Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Township does not report assets for equity interests in joint ventures.

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is: Public Entity Risk Pool: Ohio Government Risk Management Plan (the "Plan"). The Plan provides property, casualty, and liability coverage.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township had no business-type activities.

The statement of net position presents the cash 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 is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are solely governmental.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds for 2017 are the General Fund, the Road and Bridge Fund, The General Fire Fund, the Fire Levy Fund, and the Gasoline Tax Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The General Fire Fund and the Fire Levy Fund are used to account for the costs associated for providing EMS and Fire services in Madison Township. The Road and Bridge Fund and the Gasoline Tax Fund are used to account for the maintenance and up keep of Township's road system.

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

Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

Budgetary Process

All funds are legally required to be budgeted and appropriated (except certain agency funds). The major documents prepared are the certificate of estimated resources and the appropriations ordinance, each prepared on the budgetary basis of accounting. The Licking County auditor has waived the tax budget requirement for townships in Licking County although the purpose of the tax budget is to demonstrate a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, division, and personal services 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process (Continued)

The appropriations ordinance 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 ordinance 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”.

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 sale of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2017, the Township invested in STAR Ohio.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The Township measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2017 totaled \$6,031.

Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Amounts restricted for other purposes represent special revenue funds restricted to a specific use.

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.

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 cash basis of accounting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Note 7, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received 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 are reported at inception. Lease payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on its 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 gasoline tax and motor vehicle license tax receipts used for the upkeep of Township roads and bridges, real estate tax receipts from two fire levies used for fire and emergency medical protection, and real estate tax receipts from the road and bridge levy also used for the upkeep of Township roads and bridges.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. 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. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is 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 removes or change the specified use by taking the same type of action (resolution) it employed to previously commit the amounts. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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 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 ordinance, or by State Statute.

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.

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.

Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash 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. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance-Budget and Actual-Budgetary Basis presented for the General Fund and any major special revenue 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 cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance. The outstanding encumbrances at year-end for 2017 totaled \$4,027.

4. DEPOSITS

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

4. DEPOSITS (Continued)

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

At year end, the Township had no undeposited cash on hand.

Deposits:

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 eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments:

As of December 31, 2017, the Township had the following investments:

Investment Type	Fair Value	Maturity
STAR Ohio - 2017	\$ 44,656	Less Than 1 Yr.
STAR Plus - 2017	\$ 406,710	Less Than 1 Yr.

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. The Township’s investment policy addresses interest rate risk by requiring the Township’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short term investments.

Credit Risk – STAR Ohio carries a rating of AAA by Standards and Poor’s. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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 state “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. Star Ohio represents 100% of all investments as of December 31, 2017.

5. PROPERTY TAXES

Property taxes include amounts levied against all real property and public utility property located in the Township. Property tax receipts received in 2017 for real and public utility property taxes represents collections of the 2016 taxes.

2017 real property taxes are levied after October 1, 2017 on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits 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. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all Township operations for the year ended December 31, 2017, was \$10.56 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2017 property tax receipts were based are as follows:

Real Property	\$72,070,976
Public Utility Property	\$3,510,950
Total Assessed Values	<u>\$75,581,926</u>

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.

6. RISK MANAGEMENT

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

The Township pays the State Workers' Compensation System a premium based on a rate of per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM), (The Plan), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

6. RISK MANAGEMENT (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017

Assets	\$14,853,620
Liabilities	<u>(\$9,561,108)</u>
Retained earnings	\$5,292,512

The complete audited financial statements for the Ohio Governments Risk Management Plan can be found at the Plan's website, www.ohioplan.org.

7. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

Plan Description - The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

MADISON TOWNSHIP, LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2017

7. DEFINED BENEFIT PENSION PLAN (Continued)

Ohio Public Employees Retirement System (Continued)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

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):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	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
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

MADISON TOWNSHIP, LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2017

7. DEFINED BENEFIT PENSION PLAN (Continued)

Ohio Public Employees Retirement System (Continued)

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:

	State and Local	Public Safety	Law Enforcement
2017 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2017 Actual Contribution Rates			
Employer:			
Pension	13.0 %	17.1 %	17.1 %
Post-employment Health Care Benefits	1.0	1.0	1.0
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %
* This rate is determined by OPERS' Board and has no maximum rate established by ORC.			
** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.			

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

The Township's contractually required contribution was \$15,240.

8. 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 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement 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.

MADISON TOWNSHIP, LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2017

8. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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, and was 1.0 percent during calendar year 2017. 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. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

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, 2017 was \$152. The full amount has been contributed.

10. FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

		Gasoline	Road &	General	Fire
Fund Balance 12/31/2017	General	Tax	Bridge	Fire	Levy
Restricted					
Fire & EMS	-	-	-	\$225,518	\$88,098
Road & Bridge Maint	-	\$17,648	\$146,332	-	-
Total Restricted	-	\$17,648	\$146,332	\$225,518	\$88,098
Assigned	\$133,884				
Unassigned	\$173,829	-	-	-	-
Total Fund Balances	\$307,713	\$17,648	\$146,332	\$225,518	\$88,098
	Other				
	Governmental				
Fund Balance 12/31/2017	Funds	Total			
Restricted					
Fire & EMS	-	\$313,616			
Road & Bridge Maint	\$3,394	\$167,374			
Total Restricted	\$3,394	\$480,990			
Assigned		\$133,884			
Unassigned	-	\$173,829			
Total Fund Balances	\$3,394	\$788,703			

11. SUBSEQUENT EVENTS

Tax Levy Renewals: The Township had two special levies expire in 2017. The Road levy and Fire Levy were both put on the ballot as renewals in May 2018 and both passed.

Fire Station Reopened: The Madison Township Fire Station reopened on August 1, 2018.

MADISON TOWNSHIP, LICKING COUNTY
Statement of Net Position - Cash Basis
December 31, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$937,584
Total Assets	<u>\$937,584</u>
Net Position	
Restricted for:	
Other Purposes	660,067
Unrestricted	<u>277,517</u>
Total Net Position	<u>\$937,584</u>

See accompanying notes to the basic financial statements.

MADISON TOWNSHIP, LICKING COUNTY

Statement of Activities - Cash Basis

For the Year Ended December 31, 2016

	Program Cash Receipts				Governmental Activities	Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities						
Current:						
General Government	\$153,388	\$0	\$0	\$0		(\$153,388)
Public Safety	196,969	0	0	0		(196,969)
Public Works	213,231	0	107,192	0		(106,039)
Health	855	0	0	0		(855)
Debt Service:						
Principal Retirement	51,625	0	0	0		(51,625)
Interest and Fiscal Charges	190	0	0	0		(190)
Total Governmental Activities	\$616,258	\$0	\$107,192	\$0		(509,066)

General Receipts:

Property Taxes	594,505
Grants and Entitlements not Restricted to Specific Programs	121,305
Earnings on Investments	3,260
Miscellaneous	16,123
Total General Receipts	735,193
Change in Net Position	226,127
Net Position Beginning of Year	711,457
Net Position End of Year	\$937,584

See accompanying notes to the basic financial statements.

MADISON TOWNSHIP, LICKING COUNTY
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds

December 31, 2016

	GENERAL	MOTOR VEHICLE LICENSE TAX	GASOLINE TAX	ROAD AND BRIDGE	General Fire Fund	FIRE LEVY Fund	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$277,517	\$45,670	\$83,033	\$310,310	\$150,555	\$70,499	\$937,584
<i>Total Assets</i>	<u>\$277,517</u>	<u>\$45,670</u>	<u>\$83,033</u>	<u>\$310,310</u>	<u>\$150,555</u>	<u>\$70,499</u>	<u>\$937,584</u>
Fund Cash Balances, December 31							
Restricted	0	45,670	83,033	310,310	150,555	70,499	660,067
Assigned	214,097	0	0	0	0	0	214,097
Unassigned	63,420	0	0	0	0	0	63,420
<i>Fund Cash Balances, December 31</i>	<u>\$277,517</u>	<u>\$45,670</u>	<u>\$83,033</u>	<u>\$310,310</u>	<u>\$150,555</u>	<u>\$70,499</u>	<u>\$937,584</u>

See accompanying notes to the basic financial statements.

MADISON TOWNSHIP, LICKING COUNTY

Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds

For the Year Ended December 31, 2016

	GENERAL	MOTOR VEHICLE LICENSE TAX	GASOLINE TAX	ROAD AND BRIDGE	General Fire Fund	FIRE LEVY Fund	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$124,546	\$0	\$0	\$233,127	\$117,588	\$119,244	\$594,505
Licenses, Permits and Fees	3,326	0	0	0	0	0	3,326
Intergovernmental	46,171	20,350	86,842	37,358	18,682	19,094	228,497
Earnings on Investments	2,829	138	293	0	0	0	3,260
Miscellaneous	2,166	0	0	10,631	0	0	12,797
<i>Total Receipts</i>	<u>179,038</u>	<u>20,488</u>	<u>87,135</u>	<u>281,116</u>	<u>136,270</u>	<u>138,338</u>	<u>842,385</u>
Disbursements							
Current:							
General Government	153,388	0	0	0	0	0	153,388
Public Safety	0	0	0	0	33,003	163,966	196,969
Public Works	2,242	385	66,916	143,688	0	0	213,231
Health	855	0	0	0	0	0	855
Debt Service:							
Principal Retirement	0	0	0	22,625	29,000	0	51,625
Interest and Fiscal Charges	0	0	0	171	19	0	190
<i>Total Disbursements</i>	<u>156,485</u>	<u>385</u>	<u>66,916</u>	<u>166,484</u>	<u>62,022</u>	<u>163,966</u>	<u>616,258</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>22,553</u>	<u>20,103</u>	<u>20,219</u>	<u>114,632</u>	<u>74,248</u>	<u>(25,628)</u>	<u>226,127</u>
<i>Net Change in Fund Balances</i>	<u>22,553</u>	<u>20,103</u>	<u>20,219</u>	<u>114,632</u>	<u>74,248</u>	<u>(25,628)</u>	<u>226,127</u>
Fund Balances Beginning of Year	254,964	25,567	62,814	195,678	76,307	96,127	711,457
<i>Fund Balances End of Year</i>	<u>\$277,517</u>	<u>\$45,670</u>	<u>\$83,033</u>	<u>\$310,310</u>	<u>\$150,555</u>	<u>\$70,499</u>	<u>\$937,584</u>

See accompanying notes to the basic financial statements.

MADISON TOWNSHIP, LICKING COUNTY
Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual- Budget Basis
General Fund
For the Year Ended December 31, 2016

	<u>Budget Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$145,462	\$145,462	\$124,546	(\$20,916)
Licenses, Permits and Fees	2,000	2,000	3,326	1,326
Intergovernmental	17,000	17,000	46,171	29,171
Earnings on Investments	500	500	2,829	2,329
Miscellaneous	500	500	2,166	1,666
<i>Total Receipts</i>	<u>165,462</u>	<u>165,462</u>	<u>179,038</u>	<u>13,576</u>
Disbursements				
Current:				
General Government	351,952	351,952	154,413	197,539
Public Works	43,000	43,000	2,242	40,758
Health	4,000	4,000	855	3,145
Capital Outlay	5,000	5,000	0	5,000
<i>Total Disbursements</i>	<u>403,952</u>	<u>403,952</u>	<u>157,510</u>	<u>246,442</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(238,490)</u>	<u>(238,490)</u>	<u>21,528</u>	<u>260,018</u>
Other Financing Sources (Uses)				
Other Financing Uses	(1,000)	(1,000)	0	1,000
<i>Total Other Financing Sources (Uses)</i>	<u>(1,000)</u>	<u>(1,000)</u>	<u>0</u>	<u>1,000</u>
<i>Net Change in Fund Balance</i>	<u>(239,490)</u>	<u>(239,490)</u>	<u>21,528</u>	<u>261,018</u>
Unencumbered Fund Balance Beginning of Year	250,406	250,406	250,405	(1)
Prior Year Encumbrances Appropriated	4,559	4,559	4,559	0
<i>Unencumbered Balance End of Year</i>	<u>\$15,475</u>	<u>\$15,475</u>	<u>\$276,492</u>	<u>\$261,017</u>

See accompanying notes to the basic financial statements.

MADISON TOWNSHIP, LICKING COUNTY

**Statement of Receipts, Disbursements and Changes in Fund Balance -
Budget and
Actual - Budget Basis
Motor Vehicle License Tax Fund**

For the Year Ended December 31, 2016

	<u>Budget Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental	\$20,000	\$20,000	\$20,350	\$350
Earnings on Investments	100	100	138	38
<i>Total Receipts</i>	<u>20,100</u>	<u>20,100</u>	<u>20,488</u>	<u>388</u>
Disbursements				
Current:				
Public Works	10,000	10,000	2,500	7,500
<i>Total Disbursements</i>	<u>10,000</u>	<u>10,000</u>	<u>2,500</u>	<u>7,500</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>10,100</u>	<u>10,100</u>	<u>17,988</u>	<u>7,888</u>
<i>Net Change in Fund Balance</i>	<u>10,100</u>	<u>10,100</u>	<u>17,988</u>	<u>7,888</u>
Unencumbered Fund Balance Beginning of Year	25,567	25,567	25,567	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Unencumbered Balance End of Year</i>	<u>\$35,667</u>	<u>\$35,667</u>	<u>\$43,555</u>	<u>\$7,888</u>

See accompanying notes to the basic financial statements.

MADISON TOWNSHIP, LICKING COUNTY

**Statement of Receipts, Disbursements and Changes in Fund Balance - Budget
and
Actual - Budget Basis
2021 Gasoline Tax**

For the Year Ended December 31, 2016

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental	\$85,001	\$85,001	\$86,842	\$1,841
Earnings on Investments	100	100	293	193
<i>Total Receipts</i>	<u>85,101</u>	<u>85,101</u>	<u>87,135</u>	<u>2,034</u>
Disbursements				
Current:				
Public Works	97,579	97,579	66,916	30,663
<i>Total Disbursements</i>	<u>97,579</u>	<u>97,579</u>	<u>66,916</u>	<u>30,663</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(12,478)</u>	<u>(12,478)</u>	<u>20,219</u>	<u>32,697</u>
<i>Net Change in Fund Balance</i>	<u>(12,478)</u>	<u>(12,478)</u>	<u>20,219</u>	<u>32,697</u>
Unencumbered Fund Balance Beginning of Year	60,236	60,236	60,236	0
Prior Year Encumbrances Appropriated	2,578	2,578	2,578	0
<i>Unencumbered Balance End of Year</i>	<u><u>\$50,336</u></u>	<u><u>\$50,336</u></u>	<u><u>\$83,033</u></u>	<u><u>\$32,697</u></u>

MADISON TOWNSHIP, LICKING COUNTY

**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

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$234,000	\$234,000	\$233,127	(\$873)
Intergovernmental	37,000	37,000	37,358	358
Miscellaneous	5,424	5,424	10,631	5,207
<i>Total Receipts</i>	<u>276,424</u>	<u>276,424</u>	<u>281,116</u>	<u>4,692</u>
Disbursements				
Current:				
Public Works	342,097	342,097	163,225	178,872
Capital Outlay	5,000	5,000	0	5,000
Debt Service:				
Principal Retirement	23,750	23,750	22,625	1,125
Interest and Fiscal Charges	1,000	1,000	171	829
<i>Total Disbursements</i>	<u>371,847</u>	<u>371,847</u>	<u>186,021</u>	<u>185,826</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(95,423)</u>	<u>(95,423)</u>	<u>95,095</u>	<u>190,518</u>
<i>Net Change in Fund Balance</i>	<u>(95,423)</u>	<u>(95,423)</u>	<u>95,095</u>	<u>190,518</u>
Unencumbered Fund Balance Beginning of Year	179,581	179,581	179,581	(1)
Prior Year Encumbrances Appropriated	16,097	16,097	16,097	0
<i>Unencumbered Balance End of Year</i>	<u>\$100,255</u>	<u>\$100,255</u>	<u>\$290,773</u>	<u>\$190,518</u>

MADISON TOWNSHIP, LICKING COUNTY

**Statement of Receipts, Disbursements and Changes in Fund Balance - Budget
and
Actual - Budget Basis
General Fire Fund**

For the Year Ended December 31, 2016

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$118,000	\$118,000	\$117,588	(\$412)
Intergovernmental	18,500	18,500	18,682	182
Miscellaneous	100	100	0	(100)
<i>Total Receipts</i>	<u>136,600</u>	<u>136,600</u>	<u>136,270</u>	<u>(330)</u>
Disbursements				
Current:				
Public Safety	97,406	97,406	48,501	48,905
Capital Outlay	1,000	1,000	1,000	0
Debt Service:				
Principal Retirement	58,000	58,000	29,000	29,000
Interest and Fiscal Charges	2,500	2,500	19	2,481
<i>Total Disbursements</i>	<u>158,906</u>	<u>158,906</u>	<u>78,520</u>	<u>80,386</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(22,306)</u>	<u>(22,306)</u>	<u>57,750</u>	<u>80,056</u>
<i>Net Change in Fund Balance</i>	<u>(22,306)</u>	<u>(22,306)</u>	<u>57,750</u>	<u>80,056</u>
Unencumbered Fund Balance Beginning of Year	75,851	75,851	75,851	0
Prior Year Encumbrances Appropriated	456	456	456	0
<i>Unencumbered Balance End of Year</i>	<u>\$54,001</u>	<u>\$54,001</u>	<u>\$134,057</u>	<u>\$80,056</u>

MADISON TOWNSHIP, LICKING COUNTY

**Statement of Receipts, Disbursements and Changes in Fund Balance - Budget
and
Actual - Budget Basis
2192 Fire Levy - 2.06 mil**

For the Year Ended December 31, 2016

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$119,500	\$119,500	\$119,244	(\$256)
Intergovernmental	19,000	19,000	19,094	94
<i>Total Receipts</i>	138,500	138,500	138,338	(162)
Disbursements				
Current:				
Public Safety	179,300	179,300	163,966	15,334
<i>Total Disbursements</i>	179,300	179,300	163,966	15,334
<i>Excess of Receipts Over (Under) Disbursements</i>	(40,800)	(40,800)	(25,628)	15,172
<i>Net Change in Fund Balance</i>	(40,800)	(40,800)	(25,628)	15,172
Unencumbered Fund Balance Beginning of Year	95,127	95,127	95,127	0
Prior Year Encumbrances Appropriated	1,000	1,000	1,000	0
<i>Unencumbered Balance End of Year</i>	\$55,327	\$55,327	\$70,499	\$15,172

See accompanying notes to the basic financial statements.

1. DESCRIPTION OF THE REPORTING ENTITY

Reporting Entity

Madison Township, Licking County, Ohio, is a body politic and corporate established in 1812 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 general government services, maintenance of Township roads and bridges, volunteer and part-time fire and emergency medical services, zoning services, and cemetery maintenance. Police protection is provided by the Licking County Sheriff.

Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

Madison Township has no component units.

Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Township does not report assets for equity interests in joint ventures.

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is: Public Entity Risk Pool: Ohio Government Risk Management Plan (the "Plan"). The Plan provides property, casualty, and liability coverage.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

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. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township had no business-type activities.

The statement of net position presents the cash 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 is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are solely governmental.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds for 2016 are the General Fund, the Motor Vehicle License Tax Fund, the Road and Bridge Fund, the General Fire Fund, the Fire Levy Fund, and the Gasoline Tax Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The General Fire Fund and the Fire Levy Fund are used to account for the costs associated for providing EMS and Fire services in Madison Township. The Road and Bridge Fund, Motor Vehicle License Tax Fund, and the Gasoline Tax Fund are used to account for the maintenance and up keep of Township's road system.

Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

Budgetary Process

All funds are legally required to be budgeted and appropriated (except certain agency funds). The major documents prepared are the certificate of estimated resources and the appropriations ordinance, each prepared on the budgetary basis of accounting. The Licking County auditor has waived the tax budget requirement for townships in Licking County although the purpose of the tax budget is to demonstrate a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, division, and personal services 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process (Continued)

The appropriations ordinance 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 ordinance 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”.

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 sale of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2016, the Township invested in STAR Ohio.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The Township measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2016 was \$2,829.

Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Amounts restricted for other purposes represent special revenue funds restricted to a specific use.

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.

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 cash basis of accounting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Note 7, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received 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 are reported at inception. Lease payments are reported when paid.

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 includes gasoline tax and motor vehicle license tax receipts used for the upkeep of Township roads and bridges, real estate tax receipts from two fire levies used for fire and emergency medical protection, and real estate tax receipts from the road and bridge levy also used for the upkeep of Township roads and bridges.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. 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. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is 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 removes or change the specified use by taking the same type of action (resolution) it employed to previously commit the amounts. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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 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 ordinance, or by State Statute.

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.

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.

Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash 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. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance-Budget and Actual-Budgetary Basis presented for the General Fund and any major special revenue 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 cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance. The outstanding encumbrances at year-end for 2016 totaled \$39,176.

4. DEPOSITS

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

MADISON TOWNSHIP, LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2016

4. DEPOSITS (Continued)

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

At year end, the Township had no undeposited cash on hand.

Deposits:

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 eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments:

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

Investment Type	Fair Value	Maturity
STAR Ohio - 2016	\$ 44,182	Less Than 1 Yr
STAR Plus - 2016	\$403,716	Less Than 1 Yr

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. The Township’s investment policy addresses interest rate risk by requiring the Township’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short term investments.

Credit Risk – STAR Ohio carries a rating of AAA by Standards and Poor’s. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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 state “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. Star Ohio represents 100% of all investments as of December 31, 2016.

5. PROPERTY TAXES

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

2016 real property taxes are levied after October 1, 2016 on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute 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 semiannually, 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.

The full tax rate for all Township operations for the year ended December 31, 2016, was \$10.56 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2016 property tax receipts were based are as follows:

Real Property	\$66,859,818
Public Utility Property	\$3,222,630
Total Assessed Values	<u>\$70,082,448</u>

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.

6. RISK MANAGEMENT

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

The Township pays the State Workers' Compensation System a premium based on a rate of per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Government Risk Management Plan, (The Plan), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

6. RISK MANAGEMENT (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

7. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

Plan Description - The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

MADISON TOWNSHIP, LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2016

7. DEFINED BENEFIT PENSION PLAN (Continued)

Ohio Public Employees Retirement System (Continued)

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):

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
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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.

7. DEFINED BENEFIT PENSION PLAN (Continued)

Ohio Public Employees Retirement System (Continued)

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:

	State and Local	Public Safety	Law Enforcement
2016 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2016 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0	2.0
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %

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

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

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

The Township's contractually required contribution was \$17,107.

8. 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.

8. POSTEMPLOYMENT BENEFITS (Continued)

Ohio Public Employees Retirement System (Continued)

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, 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.

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 and law enforcement 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.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The 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. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

MADISON TOWNSHIP, LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2016

8. POSTEMPLOYMENT BENEFITS (Continued)

Ohio Public Employees Retirement System (Continued)

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

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, was \$342. The full amount has been contributed.

9. DEBT / LEASE PURCHASE

The Township's long-term debt activity for the year ended December 31, 2016, was as follows:

	Balance 12/31/2015	Issued	Retired	Outstanding 12/31/2016
Governmental Activities				
Pierce Tanker	\$29,000	\$0	\$29,000	\$0
Case Loader	\$22,625	\$0	\$22,625	\$0
Total	\$51,625	\$0	\$51,625	\$0

On August 31, 2011, the Township entered into a lease-purchase agreement with Capital One Funding to acquire a Pierce Tanker fire truck. Payments are made semi-annually in the amount of 29,019 over five years. Interest is being charged at a rate of 3.53%

On May 8, 2013, the Township entered into an agreement with Kansas State Bank to acquire a 2013 Case Loader Backhoe. Payments are made annually in the amount of \$22,625 for three years. Interest is being charged at a rate of 2.32%

The Township has no future annual debt service requirements:

10. FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

MADISON TOWNSHIP, LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2016

Fund Balance 12/31/2016	General	Motor Vehicle License Tax	Gasoline Tax	Road & Bridge	General Fire
Restricted					
Fire & EMS	-	-	-	-	\$150,555
Road & Bridge Maint	-	\$45,670	\$83,033	\$310,310	-
Total Restricted	-	\$45,670	\$83,033	\$310,310	\$150,555
Assigned	\$214,097	-	-	-	-
Unassigned	\$63,420	-	-	-	-
Total Fund Balances	\$277,517	\$45,670	\$83,033	\$310,310	\$150,555

Fund Balance 12/31/2016	Fire Levy	Total
Restricted		
Fire & EMS	\$70,499	\$221,054
Road & Bridge Maint	-	\$439,013
Total Restricted	\$70,499	\$660,067
Assigned	-	\$214,097
Unassigned	-	\$63,420
Total Fund Balances	\$70,499	\$937,584

11. SUBSEQUENT EVENTS

Tax Levy Renewals: The Township had two special levies expire in 2017. The Road levy and Fire Levy were both put on the ballot as renewals in May 2018 and both passed.

Fire Station Reopened: The Madison Township Fire Station reopened on August 1, 2018.

12. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2016, the Township implemented GASB Statement No. 77 “*Tax Abatement Disclosures*” which improves disclosure of tax abatement information, such as how the tax abatements affect their financial statements and operations and the government’s ability to raise resources in the future, by reporting (1) the government’s own tax abatement agreements; and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The implementation of this statement did not have an effect on the financial statements of the Township.

For fiscal year 2016, the Township implemented GASB Statement No. 79 “*Certain External Investment Pools and Pool Participants*” which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of this statement did not have a significant effect on the financial statements of the Township.

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Dave Yost • Auditor of State

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

Madison Township
Licking County
176 Valley View Dr. SE
Newark, OH 43056

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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison Township, Licking County, (the Township) as of and for the years ended December 31, 2017 and 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 October 16, 2018, wherein we noted the Township uses a special purpose framework other than generally accepted accounting principles.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

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*.

Township's Response to Findings

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Township's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Dave Yost
Auditor of State
Columbus, Ohio

October 16, 2018

**MADISON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Financial Statement Presentation – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Audit Reclassifications and adjustments are reflected on the Township's December 31, 2017 and 2016 financial statements and accounting system. Due to lack of Board monitoring, the following posting errors were noted:

Fund	Posting Error	2017	2016
General	Recorded Property Taxes at net instead of gross	\$12,901	\$0
General	Reclassify Property Taxes to Intergovernmental	\$10,546	\$0
General Fire	Reclassify Property Taxes to Intergovernmental	\$9,369	\$0
General Fire	Increase budgeted expenditures to proper amount	\$14,504	\$0
Fire Levy	Reclassify Property Taxes to Intergovernmental	\$9,575	\$0
General	Reclassify Unassigned fund balance to Assigned for subsequent year appropriations.	\$133,884	\$214,097
Road & Bridge	Increase budgeted expenditures to proper amount	\$0	\$11,535

Adjustments have been made to the accompanying financial statements to include all essential footnote disclosures.

In addition to the adjustments listed above, we also identified additional misstatements ranging from \$513 to \$18,738 that we have brought to the Township's attention.

Lack or failure of controls in place over the posting of financial transactions and reporting can result in errors that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Township develop and implement policies and procedures over financial reporting to help ensure the information accurately reflects the activity of the Township and thereby increase the reliability of the financial data throughout the year. In addition, the Township should also review AOS Bulletin 2011-004 for guidance on GASB Statement No. 54 requirements. In addition, the Township should also review the Ohio Township Handbook to improve controls and proper postings.

Officials' Response

The posting errors have been noted. In the future, we will ensure transactions are posted to the correct line items.

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Dave Yost • Auditor of State

MADISON 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
NOVEMBER 27, 2018**