



OHIO AUDITOR OF STATE
KEITH FABER



CLAY TOWNSHIP
OTTAWA COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Clay Township
Ottawa County
21774 West Holts East Road
Genoa, Ohio 43430-9546

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Clay Township, Ottawa County, Ohio (the Township) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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.

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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Clay Township, Ottawa County, Ohio as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

April 15, 2019

Clay Township
Ottawa County
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$43,943	\$495,368		\$539,311
Licenses, Permits and Fees	15,181	37,098		52,279
Fines and Forfeitures		5,041		5,041
Intergovernmental	46,502	183,543		230,045
Special Assessments		3,124		3,124
Earnings on Investments	741	123		864
Miscellaneous	2,049	22,299		24,348
<i>Total Cash Receipts</i>	<u>108,416</u>	<u>746,596</u>		<u>855,012</u>
Cash Disbursements				
Current:				
General Government	100,290		\$2,543	102,833
Public Safety		398,706		398,706
Public Works		241,872		241,872
Health		65,565		65,565
Capital Outlay		85,573	44,845	130,418
Debt Service:				
Principal Retirement		5,697		5,697
<i>Total Cash Disbursements</i>	<u>100,290</u>	<u>797,413</u>	<u>47,388</u>	<u>945,091</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>8,126</u>	<u>(50,817)</u>	<u>(47,388)</u>	<u>(90,079)</u>
Other Financing Receipts				
Sale of Capital Assets			11,780	11,780
<i>Net Change in Fund Cash Balances</i>	8,126	(50,817)	(35,608)	(78,299)
<i>Fund Cash Balances, January 1</i>	<u>46,215</u>	<u>613,027</u>	<u>130,256</u>	<u>789,498</u>
Fund Cash Balances, December 31				
Restricted		502,515	94,648	597,163
Committed		59,695		59,695
Assigned	54,341			54,341
<i>Fund Cash Balances, December 31</i>	<u>\$54,341</u>	<u>\$562,210</u>	<u>\$94,648</u>	<u>\$711,199</u>

See accompanying notes to the financial statements

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Clay Township, Ottawa County, Ohio (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, and police protection. Allen-Clay Joint Fire District provides fire and emergency medical services to the Township.

Public Entity Risk Pool and Jointly Governed Organization

The Township participates in a public entity risk pool and a jointly governed organization. Notes 6 and 10 to the financial statements provides additional information for these entities.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township’s financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

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

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than capital projects. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund The road and bridge fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Police Special Levy Fund The police special levy fund receives property tax money for the operation of the police department for the protection of the Township.

Capital Project Funds These funds account for and report financial resources that are restricted to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

Miscellaneous Capital Projects Fund The miscellaneous capital projects fund received proceeds from the sale of fixed assets owned by the Township.

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

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

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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 Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included 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.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$88,571	\$108,416	\$19,845
Special Revenue	654,830	746,596	91,766
Capital Projects		11,780	11,780
Total	\$743,401	\$866,792	\$123,391

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$134,786	\$100,290	\$34,496
Special Revenue	1,267,857	797,413	470,444
Capital Projects	130,256	47,388	82,868
Total	\$1,532,899	\$945,091	\$587,808

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Deposits

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

	2018
Demand deposits	<u>\$34,595</u>
Other time deposits (savings accounts)	<u>676,604</u>
Total deposits	<u><u>\$711,199</u></u>

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Note 6 – Risk Management

Risk Pool Membership

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

The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017 (the latest information available).

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$13,000.

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

<u>2018 Contributions to OTARMA</u>
\$29,997

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township’s full-time certified police officers belong to the Ohio Public Employees Retirement System – Law Enforcement (OPERS-LE). Other employees belong to the Ohio Public Employees Retirement System - General (OPERS-G). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS-LE members contributed 13 percent of their gross salaries and the Township contributed an amount equaling 18.1 percent of participants’ gross salaries. OPERS-G members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
OPWC Loan - CE16T	\$45,578	0%

The Ohio Public Works Commission (OPWC) zero interest loan relates to road resurfacing projects. The loan will be repaid in semiannual installments of \$2,849 over ten years.

Amortization

Amortization of the above debt is scheduled as follows:

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Year Ending December 31:	OPWC Loan
2019	\$5,697
2020	5,697
2021	5,697
2022	5,697
2023	5,697
2024-2027	17,093
Total	<u>\$45,578</u>

Note 10 – Jointly Governed Organization

Allen Clay Joint Fire District

Allen Clay Joint Fire District (the District) is directed by an appointed four-member Board of Trustees. Each political subdivision within the District appoints one board member. Those subdivisions are Clay Township, Allen Township, the Village of Genoa, and the Village of Clay Center. The District provides fire protection and rescue services within the District and by contract to areas outside the District. Financial Information can be obtained from Donald Murray, Fiscal Officer, Allen-Clay Joint Fire District, 3155 North Genoa-Clay Center Road, Genoa, OH 43430-9464.

Clay Township
Ottawa County
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$43,618	\$492,887		\$536,505
Licenses, Permits and Fees	14,220	35,599		49,819
Fines and Forfeitures		3,984		3,984
Intergovernmental	45,109	191,086		236,195
Special Assessments		2,893		2,893
Earnings on Investments	718	96		814
Miscellaneous	1,236	27,377		28,613
<i>Total Cash Receipts</i>	<u>104,901</u>	<u>753,922</u>		<u>858,823</u>
Cash Disbursements				
Current:				
General Government	128,227		\$198	128,425
Public Safety		383,587		383,587
Public Works		140,587		140,587
Health		81,144		81,144
Other	400			400
Capital Outlay			2,924	2,924
Debt Service:				
Principal Retirement		5,697		5,697
<i>Total Cash Disbursements</i>	<u>128,627</u>	<u>611,015</u>	<u>3,122</u>	<u>742,764</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(23,726)</u>	<u>142,907</u>	<u>(3,122)</u>	<u>116,059</u>
Other Financing Receipts				
Sale of Capital Assets			20,651	20,651
<i>Net Change in Fund Cash Balances</i>	(23,726)	142,907	17,529	136,710
<i>Fund Cash Balances, January 1</i>	<u>69,941</u>	<u>470,120</u>	<u>112,727</u>	<u>652,788</u>
Fund Cash Balances, December 31				
Restricted		525,192	130,256	655,448
Committed		87,835		87,835
Assigned	46,215			46,215
<i>Fund Cash Balances, December 31</i>	<u>\$46,215</u>	<u>\$613,027</u>	<u>\$130,256</u>	<u>\$789,498</u>

See accompanying notes to the financial statements

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

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Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Basis of Accounting

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These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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 Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included 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.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$93,674	\$104,901	\$11,227
Special Revenue	653,030	753,922	100,892
Capital Projects		20,651	20,651
Total	\$746,704	\$879,474	\$132,770

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$163,615	\$128,627	\$34,988
Special Revenue	1,123,149	611,015	512,134
Capital Projects	112,727	3,122	109,605
Total	\$1,399,491	\$742,764	\$656,727

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits

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

	2017
Demand deposits	<u>\$57,577</u>
Other time deposits (savings accounts)	<u>731,921</u>
Total deposits	<u><u>\$789,498</u></u>

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Note 6 – Risk Management

Risk Pool Membership

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

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$13,000.

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

<u>2017 Contributions to OTARMA</u>
\$30,106

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Clay Township
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Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township’s full-time certified police officers belong to the Ohio Public Employees Retirement System – Law Enforcement (OPERS-LE). Other employees belong to the Ohio Public Employees Retirement System - General (OPERS-G). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS-LE members contributed 13 percent of their gross salaries and the Township contributed an amount equaling 18.1 percent of participants’ gross salaries. OPERS-G members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 9 – Debt

Debt outstanding at December 31, 2017, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan - CE16T	<u>\$51,275</u>	0%

The Ohio Public Works Commission (OPWC) zero interest loan relates to road resurfacing projects. The loan will be repaid in semiannual installments of \$2,849 over ten years.

Amortization

Amortization of the above debt is scheduled as follows:

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Year Ending December 31:	OPWC Loan
2018	\$5,697
2019	5,697
2020	5,697
2021	5,697
2022	5,697
2023-2027	22,790
Total	<u>\$51,275</u>

Note 10 – Jointly Governed Organization

Allen Clay Joint Fire District

Allen Clay Joint Fire District (the District) is directed by an appointed four-member Board of Trustees. Each political subdivision within the District appoints one board member. Those subdivisions are Clay Township, Allen Township, the Village of Genoa, and the Village of Clay Center. The District provides fire protection and rescue services within the District and by contract to areas outside the District. Financial Information can be obtained from Donald Murray, Fiscal Officer, Allen-Clay Joint Fire District, 3155 North Genoa-Clay Center Road, Genoa, OH 43430-9464.

OHIO AUDITOR OF STATE KEITH FABER



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

Clay Township
Ottawa County
21774 West Holts East Road
Genoa, Ohio 43430-9546

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Clay Township, Ottawa County, Ohio (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated April 15, 2019 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our

audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

April 15, 2019



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Finding first reported in 2014. Material Weakness for errors in financial reporting.	Corrective action taken and finding is fully corrected.	N/A

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OHIO AUDITOR OF STATE KEITH FABER



CLAY TOWNSHIP

OTTAWA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 16, 2019**