



**CLAY TOWNSHIP
OTTAWA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2022-2021

CLAY TOWNSHIP
OTTAWA COUNTY

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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 Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of Clay Township, Ottawa County, Ohio (the Township), which comprises the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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 2022 and 2021, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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

December 21, 2023

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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, 2022

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$52,309	\$665,025		\$717,334
Licenses, Permits and Fees	15,958	39,642		55,600
Fines and Forfeitures		4,433		4,433
Intergovernmental	46,173	406,201	\$250,000	702,374
Special Assessments		2,421		2,421
Earnings on Investments	786	196		982
Miscellaneous	3,060	14,324		17,384
<i>Total Cash Receipts</i>	<u>118,286</u>	<u>1,132,242</u>	<u>250,000</u>	<u>1,500,528</u>
Cash Disbursements				
Current:				
General Government	122,905		445	123,350
Public Safety		488,783		488,783
Public Works		237,274		237,274
Health		83,021		83,021
Capital Outlay		53	34,763	34,816
Debt Service:				
Principal Retirement		26,528		26,528
Interest and Fiscal Charges		2,622		2,622
<i>Total Cash Disbursements</i>	<u>122,905</u>	<u>838,281</u>	<u>35,208</u>	<u>996,394</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,619)</u>	<u>293,961</u>	<u>214,792</u>	<u>504,134</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets			8,529	8,529
Other Financing Uses		(527)		(527)
<i>Total Other Financing Receipts (Disbursements)</i>		<u>(527)</u>	<u>8,529</u>	<u>8,002</u>
<i>Net Change in Fund Cash Balances</i>	(4,619)	293,434	223,321	512,136
<i>Fund Cash Balances, January 1</i>	<u>72,837</u>	<u>1,219,370</u>	<u>67,449</u>	<u>1,359,656</u>
<i>Fund Cash Balances, December 31</i>	<u>\$68,218</u>	<u>\$1,512,804</u>	<u>\$290,770</u>	<u>\$1,871,792</u>

See accompanying notes to the financial statements

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 governmental 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 provide 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 is 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 Fund:

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

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

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2022

ODOT Township Stimulus Fund The Township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C). 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 Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) 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. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not be reappropriated.

A summary of 2022 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.

Leases

The Township is the lessee in a lease (as defined by GASB 87) related to vehicles under noncancelable leases. Lease disbursements are recognized when they are paid.

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the General Fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$107,424	\$118,286	\$10,862
Special Revenue	1,118,508	1,132,242	13,734
Capital Projects	250,000	258,529	8,529
Total	\$1,475,932	\$1,509,057	\$33,125

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2022

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$179,897	\$123,323	\$56,574
Special Revenue	2,334,373	843,991	1,490,382
Capital Projects	67,449	35,208	32,241
Total	\$2,581,719	\$1,002,522	\$1,579,197

Note 4 - Deposits

To improve cash management, cash received by the Township is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit accounts are as follows:

	2022
<i>Cash Management Pool (the Pool):</i>	
Demand deposits	\$1,294,652
Other time deposits (savings and NOW accounts)	577,140
<i>Total carrying amount of deposits held in the Pool</i>	\$1,871,792

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

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.

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 6 - Risk Management

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2022</u>
Cash and investments	\$32,288,098
Actuarial liabilities	\$9,146,434

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 health care 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, 2022.

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 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2022.

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Note 9 - Debt

Debt outstanding at December 31, 2022 was as follows:

	Principal	Interest Rate
OPWC Loan - #CE16T	\$22,789	0.00%
Financed Purchase - Mercedes-Benz	44,214	4.03%
Total	\$67,003	

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.

Financed Purchase

The Township has entered into a financed purchase agreement for a vehicle where ownership of the underlying asset transfers to the Township by the end of the contract. The Township disbursed \$23,453 to pay these costs for the year ended December 31, 2022.

Amortization

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

Year Ending December 31:	OPWC Loan	Financed Purchase
2023	\$5,698	\$23,452
2024	5,698	23,452
2025	5,698	
2026	5,695	
Total	\$22,789	\$46,904

Note 10 - Jointly Governed Organization

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 Lori Kepus, Fiscal Officer, Allen-Clay Joint Fire District, 3155 North Genoa-Clay Center Road, Genoa, Ohio 43430-9464.

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 11 - Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Outstanding Encumbrances	<u>\$418</u>	<u>\$5,183</u>	<u>\$5,601</u>

The fund balance of Special Revenue funds is either restricted or committed. The fund balance of Capital Projects funds is restricted, committed, or assigned. These restricted or committed amounts in the Special Revenue funds would including the outstanding encumbrances. In the General Fund, outstanding encumbrances are considered assigned.

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, 2021

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$46,913	\$645,377		\$692,290
Licenses, Permits and Fees	16,444	45,505		61,949
Fines and Forfeitures		7,824		7,824
Intergovernmental	47,633	406,536		454,169
Special Assessments		2,553		2,553
Earnings on Investments	505	147		652
Miscellaneous	301	18,809		19,110
<i>Total Cash Receipts</i>	<u>111,796</u>	<u>1,126,751</u>		<u>1,238,547</u>
Cash Disbursements				
Current:				
General Government	108,567	323	\$3,726	112,616
Public Safety		484,560		484,560
Public Works		236,354		236,354
Health		86,645		86,645
Capital Outlay		101,377	75,573	176,950
Debt Service:				
Principal Retirement		5,697		5,697
<i>Total Cash Disbursements</i>	<u>108,567</u>	<u>914,956</u>	<u>79,299</u>	<u>1,102,822</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,229</u>	<u>211,795</u>	<u>(79,299)</u>	<u>135,725</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets			49,497	49,497
Other Financing Uses	(3,664)			(3,664)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,664)</u>		<u>49,497</u>	<u>45,833</u>
<i>Net Change in Fund Cash Balances</i>	(435)	211,795	(29,802)	181,558
<i>Fund Cash Balances, January 1</i>	<u>73,272</u>	<u>1,007,575</u>	<u>97,251</u>	<u>1,178,098</u>
<i>Fund Cash Balances, December 31</i>	<u>\$72,837</u>	<u>\$1,219,370</u>	<u>\$67,449</u>	<u>\$1,359,656</u>

See accompanying notes to the financial statements

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 - Reporting Entity

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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 is organized on a fund type basis.

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

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

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C). 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 Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) 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. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not be reappropriated.

A summary of 2021 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:

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the General Fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2021 follows:

Fund Type	2021 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$101,428	\$111,796	\$10,368
Special Revenue	1,073,558	1,126,751	53,193
Capital Projects		49,497	49,497
Total	\$1,174,986	\$1,288,044	\$113,058

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$174,700	\$112,594	\$62,106
Special Revenue	2,081,134	918,460	1,162,674
Capital Projects	97,251	79,299	17,952
Total	\$2,353,085	\$1,110,353	\$1,242,732

Note 4 - Deposits

To improve cash management, cash received by the Township is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit accounts are as follows:

	2021
<i>Cash Management Pool (the Pool):</i>	
Demand deposits	\$782,828
Other time deposits (savings and NOW accounts)	576,828
<i>Total carrying amount of deposits held in the Pool</i>	\$1,359,656

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

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.

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 6 - Risk Management

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2021</u>
Cash and investments	\$34,880,599
Actuarial liabilities	\$10,601,444

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 health care 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, 2021.

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 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2021.

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Note 9 - Debt

Debt outstanding at December 31, 2021 was as follows:

	Principal	Interest Rate
OPWC Loan - #CE16T	\$28,486	0.00%
Financed Purchase - Mercedes-Benz	65,045	4.03%
Total	\$93,531	

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.

Financed Purchase

The Township has entered into a financed purchase agreement for a vehicle where ownership of the underlying asset transfers to the Township by the end of the contract. The Township disbursed \$75,000 as a downpayment to pay these costs for the year ended December 31, 2021.

Amortization

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

Year Ending December 31:	OPWC Loan	Financed Purchase
2022	\$5,698	\$23,452
2023	5,698	23,452
2024	5,698	23,452
2025	5,698	
2026	5,694	
Total	\$28,486	\$70,356

Note 10 - Jointly Governed Organization

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 Lori Kepus, Fiscal Officer, Allen-Clay Joint Fire District, 3155 North Genoa-Clay Center Road, Genoa, Ohio 43430-9464.

Clay Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 11 - Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Outstanding Encumbrances	<u>\$363</u>	<u>\$3,504</u>	<u>\$3,867</u>

The fund balance of Special Revenue funds is either restricted or committed. The fund balance of Capital Projects funds is restricted, committed, or assigned. These restricted or committed amounts in the Special Revenue funds would include the outstanding encumbrances. In the General Fund, outstanding encumbrances are considered assigned.



88 East Broad Street
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**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental fund type as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements of Clay Township, Ottawa County, Ohio (the Township) and have issued our report thereon dated December 21, 2023, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Township’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township’s financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Township's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Township's response to the finding identified in our audit and described in the accompanying schedule of findings. The Township's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

December 21, 2023

**CLAY TOWNSHIP
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021**

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

FINDING NUMBER 2022-001

Material Weakness - Financial Reporting

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.

In 2022, Capital Projects Fund Type budgeted receipts were increased in the amount of \$250,000 in order to bring the amount reported in the Budgetary Activity note to the financial statements in line with the authorized budget amount.

This error was not identified and corrected prior to the Township preparing its notes to the financial statements due to deficiencies in the Township's internal controls over financial statement monitoring. The failure to adequately monitor the notes to the financial statements could allow for misstatements to occur and go undetected. The accompanying notes to the financial statements have been adjusted to reflect these changes. In addition to the adjustment noted above, we also identified additional immaterial misstatements ranging from \$362 to \$25,451 that we have brought to the Township's attention.

The Township should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements to help identify and correct errors and omissions.

Officials' Response:

The Fiscal Officer will double check the HINKLE report to ensure the budget matches the UAN system and approved amended certificates.

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OHIO AUDITOR OF STATE KEITH FABER



CLAY TOWNSHIP

OTTAWA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/9/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov