



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

CLAY TOWNSHIP
MONTGOMERY COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2017 and 2016
Fiscal Years Audited Under GAGAS: 2017 and 2016



Dave Yost • Auditor of State

Board of Trustees
Clay Township
8207 Arlington Road
Brookeville, Ohio 45309

We have reviewed the *Independent Auditor's Report* of Clay Township, Montgomery County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Clay Township is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

October 14, 2018

This page intentionally left blank.

Clay Township
Montgomery County
Table of Contents

| <u>TITLE</u> | <u>PAGE</u> |
|---|-------------|
| Independent Auditor's Report | 1 |
| Combined Statement of (Cash Basis) Receipts, (Cash Basis) Disbursements, and Changes In Fund (Cash Basis) Balances – All Governmental Fund Types For the Year Ended December 31, 2017 | 3 |
| Notes to the Financial Statements for the Year Ended December 31, 2017..... | 4 |
| Combined Statement of (Cash Basis) Receipts, (Cash Basis) Disbursements, and Changes In Fund (Cash Basis) Balances – All Governmental Fund Types For the Year Ended December 31, 2016 | 11 |
| Notes to the Financial Statements for the Year Ended December 31, 2016..... | 12 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 19 |
| Schedule of Findings | 21 |

This page intentionally left blank.



INDEPENDENT AUDITOR'S REPORT

Clay Township
Montgomery County
8207 Arlington Road
Brookeville, Ohio 45309

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 the Clay Township, Montgomery County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016.

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, 2017 and 2016, 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 the Clay Township, Montgomery County as of December 31, 2017 and 2016, 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 July 27, 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.



BHM CPA Group, Inc.
Piketon, Ohio
July 27, 2018

CLAY TOWNSHIP
MONTGOMERY COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Governmental Fund Types | | | Totals (Memorandum Only) |
|---|-------------------------|---------------------|---------------------|--------------------------------|
| | General | Special Revenue | Capital Projects | |
| Cash Receipts: | | | | |
| Property Taxes | \$ 29,581 | \$ 1,300,519 | \$ - | \$ 1,330,100 |
| Licenses, Permits & Fees | 6,853 | 90,454 | - | 97,307 |
| Intergovernmental | 40,532 | 312,573 | 399,616 | 752,721 |
| Special Assessments | - | 1,183 | - | 1,183 |
| Charges for Services | - | 294,005 | - | 294,005 |
| Fines, Licenses, and Permits | 5,287 | 760 | - | 6,047 |
| Earnings on Investments | 2,189 | 317 | - | 2,506 |
| Miscellaneous | 1,285 | 120,937 | - | 122,222 |
| Total Cash Receipts | 85,727 | 2,120,748 | 399,616 | 2,606,091 |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 68,159 | 58,937 | - | 127,096 |
| Public Safety | - | 1,307,281 | - | 1,307,281 |
| Public Works | - | 519,886 | - | 519,886 |
| Health | - | 124,918 | - | 124,918 |
| Capital Outlay | 867 | 5,094 | 399,613 | 405,574 |
| Debt Service: | | | | |
| Redemption of Principal | - | 12,904 | - | 12,904 |
| Interest and Fiscal Charges | - | 763 | - | 763 |
| Total Cash Disbursements | 69,026 | 2,029,783 | 399,613 | 2,498,422 |
| Net Change in Fund Cash Balances | 16,701 | 90,965 | 3 | 107,669 |
| Fund Cash Balances, January 1 | 5,405 | 1,187,005 | - | 1,192,410 |
| Fund Cash Balances, December 31 | | | | |
| Restricted | - | 1,277,970 | 3 | 1,277,973 |
| Unassigned (Deficit) | 22,106 | - | - | 22,106 |
| Fund Cash Balances, December 31 | \$ 22,106 | \$ 1,277,970 | \$ 3 | \$ 1,300,079 |

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

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

Note 1 – Reporting Entity

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

The Township contracts with the City of Brookville, Village of Verona and the Village of Phillipsburg to provide fire services and ambulance services. The Township's full time police department provides Police protection.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in a jointly governed organization and a public entity risk pool. Note 6 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, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary 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 expenditures for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township

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

Fund Accounting (Continued)

JEDD The JEDD has income tax collected by the City of Clayton for the JEDD area business. These monies are set aside to facilitate, encourage and promote economic development for those working and residing within the Township.

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

Capital Project 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 project funds:

Issue II Fund The Township received a grant from the state (OPWC) for capital improvements. The proceeds are restricted for capital improvements.

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 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations of the fund 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 re-appropriated.

A summary of 2017 budgetary activity appears in Note 3.

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

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investment in STAR Ohio is measured 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.

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.

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.

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

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 ending December 31, 2017 follows:

| 2017 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$80,389 | \$85,727 | \$5,338 |
| Special Revenue | 2,114,567 | 2,120,748 | 6,181 |
| Capital Projects | 796,604 | 399,616 | (396,988) |
| Total | \$2,991,560 | \$2,606,091 | (\$385,469) |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$84,823 | \$69,026 | \$15,797 |
| Special Revenue | 2,442,239 | 2,029,783 | 412,456 |
| Capital Projects | 795,544 | 399,613 | 395,931 |
| Total | \$3,322,606 | \$2,498,422 | \$824,184 |

Note 4 – Deposits and Investments

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

| | |
|--------------------------------|-------------|
| | 2017 |
| Demand deposits | \$974,671 |
| Total deposits | 974,671 |
| STAR Ohio | 325,408 |
| Total investments | 325,408 |
| Total deposits and investments | \$1,300,079 |

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

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

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 homestead and rollback deductions. The financial statements include homestead and rollback 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

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 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:

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

Note 6 – Risk Management (Continued)

| | 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 \$17,000.

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.

| 2017 Contributions to OTARMA |
|-------------------------------------|
| \$38,601 |

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All employees belong to the Ohio Public Employees Retirement System (OPERS). 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 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. For full time police officers, police members contributed 13 percent of their gross salaries and the Township contributed an amount equaling 18.1 percent of the participants’ gross salaries.

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

Note 8 – Debt

Debt outstanding at December 31, 2017 was as follows:

| | Principal | Interest Rate |
|------------|-----------|---------------|
| Truck Loan | \$22,267 | 2.57% |
| Total | \$22,267 | |

The Township received a loan in 2014 through Security National Bank for the purchase of a Truck. The original loan was for \$64,000. The full faith and credit of the Township is pledged to repay this debt. The note will be repaid from the Road and Bridge Fund.

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

| Year Ending December 31: | Truck Loan |
|-----------------------------|------------|
| 2018 | 13,667 |
| 2019 | 9,111 |
| Total | \$22,778 |

Note 9 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustments by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believe any refunds would be immaterial.

Note 10 – Jointly Governed Organizations

Clay Township is in a Joint Economic Development District (JEDD) with the City of Clayton. The JEDD has a designated area for development. Currently, the City of Clayton collects income tax from the businesses in the area. These monies are set aside to facilitate, encourage and promote economic development for those working and residing within the Township.

The income tax monies will be used for future development and provide economic development for Clay Township, its residents and individuals working in the Township.

The Township along with the Village of Phillipsburg has formed the ClayPhil Waste District. This service provides refuse removal and recycling to the Township residents. The Township is responsible for billing residents for this service.

Note 11 - Subsequent Events

The Township does not have any material subsequent events through July 27, 2018.

**CLAY TOWNSHIP
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property Taxes | \$ 26,497 | \$ 1,303,178 | \$ 1,329,675 |
| Licenses, Permits & Fees | 4,484 | 90,818 | 95,302 |
| Intergovernmental | 45,359 | 307,228 | 352,587 |
| Special Assessments | - | 1,644 | 1,644 |
| Charges for Services | - | 294,155 | 294,155 |
| Fines, Licenses, and Permits | 6,532 | 1,301 | 7,833 |
| Earnings on Investments | 1,744 | 312 | 2,056 |
| Miscellaneous | 1,540 | 168,959 | 170,499 |
| | <u>86,156</u> | <u>2,167,595</u> | <u>2,253,751</u> |
| Total Cash Receipts | | | |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | 120,148 | 33,591 | 153,739 |
| Public Safety | - | 1,310,651 | 1,310,651 |
| Public Works | - | 540,312 | 540,312 |
| Health | - | 94,175 | 94,175 |
| Capital Outlay | 797 | 8,539 | 9,336 |
| Debt Service: | | | |
| Redemption of Principal | - | 12,569 | 12,569 |
| Interest and Fiscal Charges | - | 1,098 | 1,098 |
| | <u>120,945</u> | <u>2,000,935</u> | <u>2,121,880</u> |
| Total Cash Disbursements | | | |
| Net Change in Fund Cash Balances | (34,789) | 166,660 | 131,871 |
| Fund Cash Balances, January 1 | <u>40,194</u> | <u>1,020,345</u> | <u>1,060,539</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | - | 1,187,005 | 1,187,005 |
| Unassigned (Deficit) | <u>5,405</u> | <u>-</u> | <u>5,405</u> |
| Fund Cash Balances, December 31 | <u>\$ 5,405</u> | <u>\$ 1,187,005</u> | <u>\$ 1,192,410</u> |

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

Clay Township
Montgomery County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

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

The Township contracts with the City of Brookville, Village of Verona and the Village of Phillipsburg to provide fire services and to provide ambulance services. Police protection is provided by the Township's full time police department.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in a jointly governed organization and a public entity risk pool. Note 6 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 (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all proprietary and fiduciary 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 debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Clay Township
Montgomery County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

Fund Accounting (Continued)

JEDD The JEDD is income tax collected by the City of Clayton for the JEDD area business. These monies are set aside to facilitate, encourage and promote economic development for those working and residing within the Township.

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

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 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund., 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 re-appropriated.

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

Clay Township
Montgomery County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

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:

Non-spendable The Township classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

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.

Clay Township
Montgomery County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

| 2016 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$101,800 | \$86,156 | (\$15,644) |
| Special Revenue | 2,071,690 | 2,167,595 | 95,905 |
| Total | \$2,173,490 | \$2,253,751 | \$80,261 |

| 2016 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$128,950 | \$120,945 | \$8,005 |
| Special Revenue | 2,894,532 | 2,000,935 | 893,597 |
| Total | \$3,023,482 | \$2,121,880 | \$901,602 |

Note 4 – Deposits and Investments

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

| | |
|--------------------------------|-------------------|
| Demand deposits | 2016 \$869,467 |
| Total deposits | 869,467 |
| STAR Ohio/Star Plus | 322,943 |
| Total investments | 322,943 |
| Total deposits and investments | \$1,192,410 |

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township

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 homestead and rollback deductions. The financial statements include homestead and rollback 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.

Clay Township
Montgomery County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – Property Taxes (Continued)

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

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

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

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

Casualty and Property Coverage

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

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

Clay Township
Montgomery County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 - Risk Management (Continued)

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$15,000.

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.

| |
|-------------------------------------|
| 2016 Contributions to OTARMA |
|-------------------------------------|

| |
|----------|
| \$32,475 |
|----------|

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.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All employees belong to the Ohio Public Employees Retirement System (OPERS). 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 members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016. For full time police officer, police members contributed 13% of their gross salaries and the Township contributed an amount equaling 18.1% of the participants' gross salaries.

Clay Township
Montgomery County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 8 – Debt

Debt outstanding at December 31, 2016 was as follows:

| | Principal | Interest Rate |
|------------|-----------|---------------|
| Truck Loan | \$35,171 | 2.57% |
| Total | \$35,171 | |

The Township received a loan in 2014 through Security National Bank for the purchase of a Truck. The original loan was for \$64,000. The full faith and credit of the Township is pledged to repay this debt. The note will be repaid from the Road and Bridge Fund.

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

| Year Ending December 31: | Truck Loan |
|-----------------------------|------------|
| 2017 | 13,667 |
| 2018 | 13,667 |
| 2019 | 9,111 |
| Total | \$36,445 |

Note 9 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustments by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believe any refunds would be immaterial.

Note 10 - Jointly Governed Organizations

Clay Township is in a Joint Economic Development District (JEDD) with the City of Clayton. The JEDD has a designated area for development. Currently, the City of Clayton collects income tax from the businesses in the area. These monies are set aside to facilitate, encourage and promote economic development for those working and residing within the Township.

The income tax monies will be used for future development and provide economic development for Clay Township, its residents and individuals working in the Township.

The Township along with the Village of Phillipsburg has formed the ClayPhil Waste District. This service provides refuse removal and recycling to our residents. The Township is responsible for billing residents for this service.

Note 11 – Subsequent Events

The Township does not have any material subsequent events through July 27, 2018.



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

Clay Township
Montgomery County
8207 Arlington Road
Brookeville, Ohio 45309

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 the Clay Township, Montgomery County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated July 27, 2018 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 opinion 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.



BHM CPA Group, Inc.
Piketon, Ohio
July 27, 2018

CLAY TOWNSHIP
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

FINDING NUMBER 2017-001

Material Weakness- *Financial Reporting*

Sound financial reporting is the responsibility of the fiscal officer and Board of Trustees and is essential to ensure information provided to the readers of the financial statements is complete and accurate.

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Township's internal controls over financial reporting. Misstatements were identified in the following areas:

- Public Works
- Public Safety
- Capital Projects

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Township Manual for guidance on the correct line item to post various receipts and expenditures of the Township.

Officials Response: The additional breakdown of principal and interest to separate accounts within the Road & Bridge Fund and adjustments to be made for the proper classification of Public Works expenditures within the Capital Projects Fund for Issue II projects will be done immediately for 2018. A review of available accounts will be done to determine potential classification adjustments to ensure the Township's financial statements are complete and accurate. When a transaction may be unique, consultation with Local Government Services will be done for guidance. To continue to ensure proper accounts/classifications are used, the UAN chart of accounts as well as the Ohio Township Manual will be reviewed annually when budgets are prepared to properly classify new line items as well as performing a general review of all accounts available. The Fiscal Officer will perform the above review of accounts for proper classification and postings. The review results will be communicated to the Trustees during the budget process to assist in providing meaningful financial information for management use and to provide complete and accurate statements for third party users.

This page intentionally left blank.



Dave Yost • Auditor of State

CLAY TOWNSHIP

MONTGOMERY 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 8, 2018