



Certified Public Accountants, A.C.

**MONROE TOWNSHIP
PREBLE COUNTY
Regular Audit
For the Years Ended December 31, 2017 and 2016**

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104 South Sugar St.
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Dave Yost • Auditor of State

Board of Trustees
Monroe Township
2159 Kimmel Road
Eldorado, Ohio 45321

We have reviewed the *Independent Auditor's Report* of Monroe Township, Preble County, prepared by Perry & Associates, Certified Public Accountants, A.C., 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. Monroe 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

September 21, 2018

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MONROE TOWNSHIP
PREBLE COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 26, 2018

Monroe Township
Preble County
2159 Kimmel Road
Eldorado, Ohio 45321

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 **Monroe Township**, Preble County, (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 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.

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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 opinions on this accounting basis are in the *Additional Opinion Qualification* 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, or changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

The Board of Trustees did not make the prior proposed audit adjustment for paying Township Trustee salaries and fringe benefits from the Gasoline Tax and Road and Bridge Funds (Special Revenue Fund Type), in the amount of \$79,684 (the Township made a transfer of \$5,000 from the General Fund to the Road and Bridge Fund during 2017 and 2016 to pay back a portion of what was owed). Due to the impact this adjustment would have on the General Fund, the Township declined to make this adjustment.

Had the posting errors noted in the preceding paragraph been properly posted to the financial statement and the accounting system; the General Fund cash fund balance would have been decreased \$79,684 and the Gasoline Tax Fund cash fund balance would have increased \$46,299 and the Road and Bridge Fund cash balance would have increased \$33,385.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and the related notes of Monroe Township, Preble County, as of December 31, 2017 and 2016, 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.

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

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming the Township will continue as a going concern. As discussed in Note 11 to the financial statements, the Township has not posted adjustments to their General Fund. If the Township made these adjustments, the General Fund balance as of December 31, 2017 would be (\$46,940). A negative General Fund balance may raise substantial doubt about the Township's ability to continue as a going concern. Note 12 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2017, 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

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**MONROE TOWNSHIP
PREBLE COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 24,146	\$ 207,851	\$ 231,997
Intergovernmental	21,943	113,313	135,256
Earnings on Investments	67	29	96
Miscellaneous	7,646	16,204	23,850
<i>Total Cash Receipts</i>	<u>53,802</u>	<u>337,397</u>	<u>391,199</u>
Cash Disbursements			
Current:			
General Government	24,632	5,098	29,730
Public Safety	-	125,000	125,000
Public Works	28	183,820	183,848
Health	15,508	3,303	18,811
Conservation-Recreation	-	300	300
Capital Outlay	-	8,389	8,389
Debt Service:			
Principal Retirement	-	8,354	8,354
<i>Total Cash Disbursements</i>	<u>40,168</u>	<u>334,264</u>	<u>374,432</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>13,634</u>	<u>3,133</u>	<u>16,767</u>
Other Financing Receipts (Disbursements)			
Transfers In	-	5,000	5,000
Transfers Out	(5,000)	-	(5,000)
Other Financing Sources	54	-	54
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(4,946)</u>	<u>5,000</u>	<u>54</u>
<i>Net Change in Fund Cash Balances</i>	8,688	8,133	16,821
<i>Fund Cash Balances, January 1</i>	<u>22,556</u>	<u>169,630</u>	<u>192,186</u>
Fund Cash Balances, December 31			
Restricted	-	177,763	177,763
Assigned	24,925	-	24,925
Unassigned	6,319	-	6,319
<i>Fund Cash Balances, December 31</i>	<u>\$ 31,244</u>	<u>\$ 177,763</u>	<u>\$ 209,007</u>

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

MONROE TOWNSHIP
PREBLE COUNTY
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 Monroe Township, Preble 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, and cemetery maintenance. The Township contracts with the Village of Eldorado and West Manchester Fire Departments provide fire protection and emergency medical services.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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 debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Gasoline Tax Fund The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for constructing, maintaining, and repairing of roads within the Township.

Special Levy Fire Fund The special levy fire fund accounts for and reports property tax money to pay for fire protection for Township residents.

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

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

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

A summary of 2017 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.

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

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.

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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	\$ 53,768	\$ 53,856	\$ 88
Special Revenue	305,067	342,397	37,330
Total	\$ 358,835	\$ 396,253	\$ 37,418

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 3 – Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 75,360	\$ 45,168	\$ 30,192
Special Revenue	443,250	334,264	108,986
Total	\$ 518,610	\$ 379,432	\$ 139,178

Note 4 – Deposits and Investments

The Township maintains a deposit and investment 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	\$ 172,696
Other time deposits (savings and NOW accounts)	35,590
Total deposits	208,286
STAR Ohio	721
Total investments	721
Total deposits and investments	\$ 209,007

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

Investments

Deposits in Star Ohio are not evidenced by securities that exist in physical or book-entry form.

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.

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

Note 6 - Risk Management

Risk Pool Membership

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

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

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 6 - Risk Management (Continued)

Risk Pool Membership (Continued)

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.

	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 \$3,000.

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.

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 6 – Risk Management (Continued)

Risk Pool Membership (Continued)

2017 Contributions to OTARMA
\$5,955

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

The Township’s 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. For 2017, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants’ gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest</u>
Holtzmuller Road Reconstruction	\$ 146,201	0%
Total	<u>\$ 146,201</u>	

The Township received a loan from the Ohio Public Works Commission for the Holtzmuller Road reconstruction. The loan will be repaid in bi-annual installments of \$4,177, over 20 years. Payments are made from the Gasoline Tax Fund.

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 9 – Debt (Continued)

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

Year Ending December 31:	OPWC Loan
2018	\$ 8,354
2019	8,354
2020	8,354
2021	8,354
2022	8,354
2023-2027	41,772
2028-2032	41,772
3032-2035	20,887
Total	\$ 146,201

Note 10 – Transfers

During 2017 the following transfer was made:

	Transfer In	Transfer Out
General Fund	-	\$ (5,000)
Road and Bridge Fund	\$ 5,000	-
Total	\$ 5,000	\$ (5,000)

During 2017, the Township transferred money from the General Fund to the Road and Bridge Fund to repay adjustments in the prior audit per Township resolution. This transfer was determined to be appropriate and in compliance with the Ohio Revised Code.

Note 11 – Going Concern/Negative General Fund Balance

The Township has begun paying back prior audit adjustments from the past four audit periods. These adjustments are the direct result of a lack of documenting and monitoring the allocation of salaries and other expenditures and properly charging the correct fund. If the Township makes the adjustments, the General Fund balance as of December 31, 2017 would be (\$46,940).

A negative fund balance is cause for concern and can lead to the Auditor of State determining a Fiscal Watch, Caution or Emergency exists and appointment of a financial planning and supervision commission to assume certain management responsibilities for the duration of this emergency pursuant to Chapter 118 of the Ohio Rev. Code. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 12 – Management Plan

Monroe Township is aware of the Auditor of State’s concerns over the manner in which the Trustee’s salaries have been paid. The Township has implemented payroll certifications to be in compliance with the Ohio Revised Code. The Trustees have passed a resolution to allocate \$5,000 each year to be transferred from the General Fund to the Gasoline Tax and Road and Bridge Funds to repay the outstanding adjustments.

**MONROE TOWNSHIP
PREBLE COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 22,959	\$ 189,650	\$ 212,609
Licenses, Permits and Fees	2	-	2
Intergovernmental	21,982	120,794	142,776
Earnings on Investments	63	29	92
Miscellaneous	9,028	8,894	17,922
<i>Total Cash Receipts</i>	<u>54,034</u>	<u>319,367</u>	<u>373,401</u>
Cash Disbursements			
Current:			
General Government	27,258	4,965	32,223
Public Safety	-	100,331	100,331
Public Works	28	196,428	196,456
Health	14,904	4,594	19,498
Conservation-Recreation	-	455	455
Capital Outlay	-	27,555	27,555
Debt Service:			
Principal Retirement	-	8,354	8,354
<i>Total Cash Disbursements</i>	<u>42,190</u>	<u>342,682</u>	<u>384,872</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>11,844</u>	<u>(23,315)</u>	<u>(11,471)</u>
Other Financing Receipts (Disbursements)			
Transfers In	-	5,000	5,000
Transfers Out	(5,000)	-	(5,000)
Other Financing Sources	51	-	51
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(4,949)</u>	<u>5,000</u>	<u>51</u>
<i>Net Change in Fund Cash Balances</i>	6,895	(18,315)	(11,420)
<i>Fund Cash Balances, January 1</i>	<u>15,661</u>	<u>187,945</u>	<u>203,606</u>
Fund Cash Balances, December 31			
Restricted		169,630	169,630
Assigned	21,592	-	21,592
Unassigned	964	-	964
<i>Fund Cash Balances, December 31</i>	<u>\$ 22,556</u>	<u>\$ 169,630</u>	<u>\$ 192,186</u>

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

MONROE TOWNSHIP
PREBLE COUNTY
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 Monroe Township, Preble 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, and cemetery maintenance. The Township contracts with the Village of Eldorado and West Manchester Fire Departments provide fire protection and emergency medical services.

Public Entity Risk Pool

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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

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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:

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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:

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

Gasoline Tax Fund The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for constructing, maintaining, and repairing of roads within the Township.

Special Levy Fire Fund The special levy fire fund accounts for and reports property tax money to pay for fire protection for Township residents.

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

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

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

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.

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

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.

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 46,365	\$ 54,085	\$ 7,720
Special Revenue	290,928	324,367	33,439
Total	\$ 337,293	\$ 378,452	\$ 41,159

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 3 – Budgetary Activity (Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 61,598	\$ 47,190	\$ 14,408
Special Revenue	476,216	342,682	133,534
Total	\$ 537,814	\$ 389,872	\$ 147,942

Note 4 – Deposits and Investments

The Township maintains a deposit and investment 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:

	2016
Demand deposits	\$ 155,972
Other time deposits (savings and NOW accounts)	35,501
Total deposits	191,473
STAR Ohio	713
Total investments	713
Total deposits and investments	\$ 192,186

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

Investments

Deposits in Star Ohio are not evidenced by securities that exist in physical or book-entry form.

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.

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

Note 6 - Risk Management

Risk Pool Membership

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

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

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 6 - Risk Management (Continued)

Risk Pool Membership (Continued)

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

Casualty and Property Coverage

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

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

Financial Position

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

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

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

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.

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 6 - Risk Management (Continued)

Risk Pool Membership (Continued)

2016 Contributions to OTARMA
\$5,718

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

The Township's 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. For 2016, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 8 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest
Holtzmuller Road Reconstruction	\$ 154,555	0%
Total	\$ 154,555	

The Township received a loan from the Ohio Public Works Commission for the Holtzmuller Road reconstruction. The loan will be repaid in bi-annual installments of \$4,177, over 20 years. Payments are made from the Gasoline Tax Fund.

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 9 – Debt (Continued)

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

Year Ending December 31:	OPWC Loan
2017	\$ 8,354
2018	8,354
2019	8,354
2020	8,354
2021	8,354
2022-2026	41,772
2027-2031	41,772
2031-2035	29,241
Total	\$ 154,555

Note 10 – Transfers

During 2016 the following transfer was made:

	Transfer In	Transfer Out
General Fund	-	\$ (5,000)
Road and Bridge Fund	\$ 5,000	-
Total	\$ 5,000	\$ (5,000)

During 2016, the Township transferred money from the General Fund to the Road and Bridge Fund to repay adjustments in the prior audit per Township resolution. This transfer was determined to be appropriate and in compliance with the Ohio Revised Code.

Note 11 – Going Concern/Negative General Fund Balance

The Township has begun paying back prior audit adjustments from the past four audit periods. These adjustments are the direct result of a lack of documenting and monitoring the allocation of salaries and other expenditures and properly charging the correct fund. If the Township makes the adjustments, the General Fund balance as of December 31, 2016 would be (\$60,628).

A negative fund balance is cause for concern and can lead to the Auditor of State determining a Fiscal Watch, Caution or Emergency exists and appointment of a financial planning and supervision commission to assume certain management responsibilities for the duration of this emergency pursuant to Chapter 118 of the Ohio Rev. Code. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 12 – Management Plan

Monroe Township is aware of the Auditor of State’s concerns over the manner in which the Trustee’s salaries have been paid. The Township has implemented payroll certifications to be in compliance with the Ohio Revised Code. The Trustees have passed a resolution to allocate \$5,000 each year to be transferred from the General Fund to the Gasoline Tax and Road and Bridge Funds to repay the outstanding adjustments.



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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**

June 26, 2018

Monroe Township
Preble County
2159 Kimmel Road
Eldorado, OH 45321

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 **Monroe Township**, Preble 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 June 26, 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. We also issued a qualified opinion for findings for an adjustment that has not been recorded to the accounting records. In addition, we noted the Township will continue as a going concern.

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.

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Internal Control Over Financial Reporting (Continued)

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 audit 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2017-002.

We also noted a certain matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 26, 2018.

Township's Response to Finding

The Township's response to the finding identified in our audit is described in the accompanying schedule of audit findings. We did not audit the Township's response 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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

MONROE TOWNSHIP
PREBLE COUNTY

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

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

FINDING NUMBER 2017-001

Material Weakness

Financial Reporting

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure information provided to the readers of the financial statements is accurate. Fund balances should be properly classified based on Governmental Accounting Standards Board (GASB) Statement No. 54: *Fund Balance Reporting and Governmental Fund Type Definitions*. Footnote disclosures should be accurate based on underlying source documentation and governmental accounting standards.

During 2016 and 2017, receipts, disbursements, and fund balances were not always posted or classified correctly and footnote disclosures were not always up to date. The following errors were noted:

- Subsequent year appropriations that exceeded estimated receipts were misclassified as Unassigned instead of Assigned in 2017 and 2016;
- The Township did not properly reflect outstanding encumbrances in the Budgetary footnote in 2016;
- The Township did not properly include transfers-in and transfers-out in the budgetary footnote in 2017 and 2016;
- The Township did not properly calculate the deposits and investments footnote for 2017 and 2016;
- The Township utilized an outdated footnote shell; therefore, modifications were necessary to ensure disclosures were appropriate and up to date.
- Prior audit adjustments have not been made by the Township, resulting in a modified opinion on the financial statements.
- Expense for indigent cremation was improperly charged to the Gas Tax Fund in 2016;
- Sale of cemetery lots were improperly receipted to the General Fund in 2016;
- Opening and closing receipt was improperly receipted to the Motor Vehicle License Tax Fund in 2016;

As a result, reclassifications, adjustments and modifications were made in order to fairly present the annual financial report. The financial statements and footnotes reflect these reclassifications, adjustments and modifications. The Township has posted the current year adjustments to its accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements.

We also recommend the Township refer to Auditor of State Bulletin 2011-004 for assistance in properly classifying fund balances. The Township should also ensure all applicable footnote disclosures are accurately reported by reviewing guidance on the State Auditor's website and various training opportunities. The Township should refer to the Township Handbook for proper posting of receipts and disbursements.

Management's Response – We did not receive a response from officials to this finding.

MONROE TOWNSHIP
PREBLE COUNTY

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2017-002

Noncompliance

Salary Overpayment

Ohio Rev. Code § 507.09(A)(3) provides in calendar year 2016, in townships having a budget of more than five hundred thousand but not more than seven hundred fifty thousand dollars, the township fiscal officer shall be entitled to compensation of fourteen thousand eight hundred fifty-four dollars.

Prior to the Fiscal Officer taking office on April 1, 2016, her annual salary would have been \$14,147; therefore, her monthly salary should have been based on this salary amount for January 2016 through March 2016. After beginning a new term effective April 1, 2016, the Fiscal Officer would have been eligible for a raise to a new annual salary amount of \$14,854. Therefore, her monthly salary should have been based on this salary amount for April 2016 through December 2016. As a result, for 2016 the Fiscal Officer should have been paid \$14,678; however, the Fiscal Officer was paid \$14,854 for an overpayment of \$176.71.

We recommend the Township utilize the compensation charts as determined by the Ohio Revised Code for compensation of elected officials.

Management's Response – Fiscal Officer Mary Ann Fark repaid the \$176.71 on June 21, 2018 on receipt number 47-2018. The amount was allocated into Monroe Township's General Fund for \$44.18 and Gasoline Tax Fund for \$132.53.



Dave Yost • Auditor of State

MONROE TOWNSHIP

PREBLE 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
OCTOBER 4, 2018**