



**HICKSVILLE TOWNSHIP
DEFIANCE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**HICKSVILLE TOWNSHIP
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REPORT OF INDEPENDENT ACCOUNTANTS

Hicksville Township
Defiance County
708 North Main Street
Hicksville, Ohio 43526-1148

To the Board of Trustees:

We have audited the accompanying financial statements of Hicksville Township, Defiance County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2000, 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 grants.

This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under §117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

May 31, 2000

**HICKSVILLE TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$16,432	\$39,154	\$55,586
Intergovernmental	102,847	76,720	179,567
Licenses, Permits, and Fees	3,005		3,005
Earnings on Investments	342		342
Other Revenue	490	3,564	4,054
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	123,116	119,438	242,554
Cash Disbursements:			
Current:			
General Government	63,630		63,630
Public Works	16,000	94,995	110,995
Health	8,300		8,300
Capital Outlay	19,750	14,764	34,514
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	107,680	109,759	217,439
Total Receipts Over Disbursements	15,436	9,679	25,115
Fund Cash Balances, January 1	14,163	9,425	23,588
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$29,599	\$19,104	\$48,703
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserve for Encumbrances, December 31			

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

**HICKSVILLE TOWNSHIP
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$15,312	\$37,054	\$52,366
Intergovernmental	74,999	75,021	150,020
Licenses, Permits, and Fees	4,336		4,336
Earnings on Investments	265		265
Other Revenue	2,562	2,495	5,057
Total Cash Receipts	<u>97,474</u>	<u>114,570</u>	<u>212,044</u>
Cash Disbursements:			
Current:			
General Government	43,181		43,181
Public Works		118,297	118,297
Health	8,420		8,420
Debt Service:			
Redemption of Principal	32,500	2,500	35,000
Interest and Fiscal Charges	1,797		1,797
Total Cash Disbursements	<u>85,898</u>	<u>120,797</u>	<u>206,695</u>
Total Receipts Over/(Under) Disbursements	<u>11,576</u>	<u>(6,227)</u>	<u>5,349</u>
Other Financing Receipts/(Disbursements):			
Advances-In		5,000	5,000
Advances-Out	(5,000)		(5,000)
Other Uses	(32)	(62)	(94)
Total Other Financing Receipts/(Disbursements)	<u>(5,032)</u>	<u>4,938</u>	<u>(94)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>6,544</u>	<u>(1,289)</u>	<u>5,255</u>
Fund Cash Balances, January 1	<u>7,619</u>	<u>10,714</u>	<u>18,333</u>
Fund Cash Balances, December 31	<u><u>\$14,163</u></u>	<u><u>\$9,425</u></u>	<u><u>\$23,588</u></u>
Reserve for Encumbrances, December 31	<u><u>\$614</u></u>		<u><u>\$614</u></u>

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

**HICKSVILLE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Hicksville Township, Defiance County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with Hicksville Village to provide fire services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Township had no investments during the audit period.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

**HICKSVILLE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

E. Budgetary Process

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

1. Appropriations

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

2. 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 also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$48,703	\$23,588

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999, and 1998 follows:

**HICKSVILLE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$79,558	\$123,116	\$43,558
Special Revenue	<u>188,895</u>	<u>119,438</u>	<u>(69,457)</u>
Total	<u>\$268,453</u>	<u>\$242,554</u>	<u>(\$25,899)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$95,314	\$107,680	(\$12,366)
Special Revenue	<u>159,185</u>	<u>109,759</u>	<u>49,426</u>
Total	<u>\$254,499</u>	<u>\$217,439</u>	<u>\$37,060</u>

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$69,261	\$97,474	\$28,213
Special Revenue	<u>182,692</u>	<u>114,570</u>	<u>(68,122)</u>
Total	<u>\$251,953</u>	<u>\$212,044</u>	<u>(\$39,909)</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$79,710	\$86,544	(\$6,834)
Special Revenue	<u>187,630</u>	<u>120,859</u>	<u>66,771</u>
Total	<u>\$267,340</u>	<u>\$207,403</u>	<u>\$59,937</u>

Expenditures exceeded legally adopted appropriations in several funds in both 1999 and 1998, contrary to Ohio Revised Code requirements.

Appropriations were amended in both 1999 and 1998 without the approval of the Trustees, contrary to Ohio Revised Code requirements.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation.

HICKSVILLE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

6. RISK MANAGEMENT

The Township is a member of the Ohio Government Risk Management Plan (the Plan). The Plan assumes the risk of loss up to the limits of the Township's policy. The Plan may assess supplemental premiums. The following risks are covered by the Plan:

- Comprehensive liability
- Vehicle
- Building and contents
- Valuable papers and records
- Electronic equipment/media
- Inland marine
- Officials' bonds

The Township also provides health insurance coverage to its full-time employee and elected officials through private carriers.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Hicksville Township
Defiance County
708 North Main Street
Hicksville, Ohio 43526-1148

To the Board of Trustees:

We have audited the financial statements of Hicksville Township, Defiance County, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 31, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-40120-001 through 1999-40120-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 31, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-40120-004 through 1999-40120-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 1999-40120-004 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 31, 2000.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

May 31, 2000

**HICKSVILLE TOWNSHIP
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-40120-001

Noncompliance Citation

Ohio Revised Code § 5705.40 provides that appropriation measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. In 79% of the 1999 disbursement line items and in 75% of the 1998 disbursement line items, changes were made to the legally adopted appropriations with no documented Trustee approval. This condition may result in a deficit spending situation. We recommend that the Clerk only make amendments to the appropriations ledger based on formally documented approval of the Trustees.

FINDING NUMBER 1999-40120-002

Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. Actual expenditures exceeded appropriations in the following funds by the following amounts:

<u>Fund Name</u>	<u>Amount</u>	<u>% of Disbursements</u>
1999		
General Fund	\$12,366	11%
1998		
General Fund	\$6,834	8%
Road and Bridge Fund	\$11,650	30%

Expenditures in excess of appropriations may result in deficit spending. We recommend that expenditures and appropriations be frequently reviewed by the Trustees and the necessary adjustments be made to prevent expenditures from exceeding appropriations. These adjustments should be formally approved by the Trustees in the minutes and the Clerk should only make amendments to the Uniform Accounting Network (UAN) appropriations ledger based on these formally documented approvals.

FINDING NUMBER 1999-40120-003

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

**FINDING NUMBER 1999-40120-003
(Continued)**

The following exception to this basic requirement is provided by statute:

- A. Then and now certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant.
- B. If the amount certified using a then and now certificate is greater than \$1,000, the legislative authority must approve the use of the ten and now certificate within 30 days of the fiscal officer's certification.

Fifty-eight percent of the transactions tested were not certified at the time the commitment was incurred. These commitments were not subsequently approved by the Trustees within the aforementioned 30 day time period.

We recommend the Clerk certify the amount required to meet a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the appropriate fund free from any previous encumbrance prior to placing an order. When necessary Then and Now Certificates could be utilized in lieu of obtaining prior certification.

FINDING NUMBER 1999-40120-004

Material Weakness - Monitoring Financial Activity

In an entity the size of Hicksville Township, it is difficult and usually not cost effective to employ all basic internal accounting controls necessary to provide management with reasonable assurance that all related procedures are functioning properly. The Clerk is responsible for all functions relating to the accounting records. Without proper separation of duties, there is the possibility that errors or irregularities could occur and not be detected in a timely period. Under such circumstances sound accounting practices require regular and thorough monitoring of the Township's financial activity by the Board of Trustees.

The following actions routinely occurred without the apparent knowledge or approval of the Trustees:

- Deposits were made to incorrect funds;
- Deposits were recorded prior to actual receipt of funds;
- Expenditures were paid out of inconsistent or inappropriate accounts;
- Unsubstantiated adjustments were made to fund balances;
- Amendments were made to appropriations; and,
- Bank reconciliations exhibited unknown discrepancies

To strengthen internal accounting controls and to ensure that Township resources are being effectively and efficiently utilized, the Board of Trustees should review monthly financial statements to ascertain that proper procedures are being followed, and to determine that the financial statements are corroborated by adequate supporting documentation. To achieve this, at a minimum, the following should be performed:

**FINDING NUMBER 1999-40120-004
(Continued)**

- Review the reconciliation of the bank statement with the cashbook balance to ensure that the amounts correspond, and that the balance of the cashbook includes all active money under the control of the Township.
- Review the following month's bank statement to verify that the prior month's reconciling items, such as deposits in-transit and outstanding checks were accurately stated.
- Verify that fund balances at the beginning of the month agree to the prior month's ending fund balances.
- Review billings from vendors, retirement systems, payroll withholdings, insurance, etcetera, to ensure that the obligations of the Township are being paid in a consistent manner in accordance with the Board's intentions.
- Review reports that compare actual revenues and expenditures to budgeted amounts at the legal level of control. This would help ensure that Board adopted budgets are being adequately followed and, where necessary, amended to reflect changes in the Township's financial state.

In addition to performing the above procedures, the Trustees' signatures or initials should be affixed to the documents reviewed, or other evidence should be retained documenting such reviews were performed. Approval of these financial statements by the Trustees should also be reflected in the minute record on a monthly basis.

FINDING NUMBER 1999-40120-005

Reportable Condition - Fund Balance Adjustments

Sound accounting practices require that accounting adjustments be made only for a valid purpose. The reason for any adjustments should be clearly documented. Unsupported and undocumented adjustments were made to all of the Township's January 1, 1998, beginning fund balances. As a result, ending fund balances from the prior audit did not agree with the Township's beginning fund balances. Making unauthorized fund balance adjustments without supporting documentation may result in moneys being used for purposes other than those intended by the Trustees. It also results in the lack of an audit trail. We recommend that all adjustments to fund balances be approved by the Trustees. Adequate documentation should be attached to support the adjustment. The accompanying financial statements have been adjusted to correctly reflect beginning fund balances.

FINDING NUMBER 1999-40120-006

Reportable Condition - Bank Reconciliations

Strong accounting controls require that bank accounts be accurately reconciled to book balances on a monthly basis. The Township's bank reconciliations included unknown variances in every month during the audit period. The unknown variances ranged from less than \$100 to more than \$1,000. Items which contributed to the Township's inability to reconcile include:

FINDING NUMBER 1999-40120-006
(Continued)

- Checking account interest was not always booked.
- Actual check amounts sometimes differed from amounts posted to the computer system.
- Tax settlement revenue was booked incorrectly.
- A check which was recorded in the accounting records as voided cleared the bank.
- Deposits were booked more than once or booked in incorrect amounts.
- Outstanding checklists were not always accurate.
- Reconciliations were performed prior to booking all of the monthly activity.

Allowing these procedures to occur increases the risk of funds being diverted without management's knowledge. In order to strengthen accountability over the Township's reconciliation process, we recommend that the Clerk investigate and correct any unknown variances before closing that month's activities. The Trustees should review and scrutinize monthly bank reconciliations closely. This review should be clearly documented in the Township's minute record, as well as on the bank reconciliations themselves.

**HICKSVILLE TOWNSHIP
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 1999 AND 1998**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1997-40120-003	Accounting Records Recommendation - Trustees should perform and document reviews of various financial information.	No	Trustees did not feel it was necessary to implement the recommendation.



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HICKSVILLE TOWNSHIP

DEFIANCE 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
JUNE 20, 2000**