



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

WASHINGTON TOWNSHIP LAWRENCE COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2013 and 2012
Fiscal Years Audited Under GAGAS: 2013 and 2012



Dave Yost • Auditor of State

Board of Trustees
Washington Township
25147 State Route 93
Oak Hill, Ohio 45656

We have reviewed the *Independent Auditor's Report* of Washington Township, Lawrence County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2012 through December 31, 2013. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery Repaid Under Audit - Trustee

Ohio Rev. Code § 505.60(A) states as provided in this section and section 505.601 of the Revised Code, the board of township trustees of any township may procure and pay all or any part of the cost of insurance policies that may provide benefits for hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or a combination of any of the foregoing types of insurance for township officers and employees. Ohio Rev. Code § 505.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

(A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium attributable to the coverage provided for them for insurance benefits described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the township will not reimburse the officer or employee.

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Oak Hill, Ohio 45656
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(C) That resolution states the specific benefits listed in division (A) of section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of section 505.60 of the Revised Code.

Contrary to the Ohio Revised Code Sections above, Douglas Dickens was reimbursed \$304 for prescription costs. These costs were not for insurance premiums covering prescriptions.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Township Trustee Douglas Dickens and his bonding company, Ohio Plan Risk Management, in the amount of \$304, and in favor of Washington Township's Gasoline Tax Fund.

When informed of these facts, Douglas Dickens, Township Trustee, agreed to repay the Township. He repaid this amount to the Township on December 8, 2014.

Finding for Recovery Repaid Under Audit – Former Fiscal Officer

Ohio Rev. Code § 505.60(A) states as provided in this section and section 505.601 of the Revised Code, the board of township trustees of any township may procure and pay all or any part of the cost of insurance policies that may provide benefits for hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or a combination of any of the foregoing types of insurance for township officers and employees. Ohio Rev. Code § 505.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

(A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium attributable to the coverage provided for them for insurance benefits described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.

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25147 State Route 93
Oak Hill, Ohio 45656
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(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the township will not reimburse the officer or employee.

(C) That resolution states the specific benefits listed in division (A) of section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of section 505.60 of the Revised Code.

Contrary to the Ohio Revised Code Sections above, Wayne Keels was reimbursed \$909 for prescription costs. These costs were not for insurance premiums covering prescriptions. The check was signed by all three Trustees and the Former Fiscal Officer.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the Former Fiscal Officer Wayne Keels and his bonding company, Selective Insurance Company of America, in the amount of \$909, and in favor of Washington Township, Lawrence County's Gasoline Tax Fund.

When informed of these facts, Wayne Keels, Former Fiscal Officer, agreed to repay the Township. He repaid this amount to the Township on March 13, 2015.

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. Washington Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

June 1, 2015

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**Washington Township
Lawrence County**

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Washington Township
Lawrence County
25147 State Route 93
Oak Hill, Ohio 45656

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Washington Township, Lawrence County, (the Township) as of and for the years ended December 31, 2013 and 2012.

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 opinion.

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

As described in Note 1 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, 2013 and 2012, or 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 combined cash balances of Washington Township, Lawrence County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2015 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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.

Piketon, Ohio

April 10, 2015

**Washington Township
Lawrence County**

Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December, 31, 2012

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$ 3,914	\$ 7,840	\$ 11,754
Intergovernmental	10,032	84,294	94,326
Interest	-	-	-
Miscellaneous	88	-	88
<i>Total Cash Receipts</i>	<u>14,034</u>	<u>92,134</u>	<u>106,168</u>
Cash Disbursements:			
Current:			
General Government	35,962	-	35,962
Public Safety	-	3,550	3,550
Public Works	-	52,681	52,681
Debt Service:			
Redemption of Principal	-	12,989	12,989
Interest and Fiscal Charges	-	1,169	1,169
<i>Total Cash Disbursements</i>	<u>35,962</u>	<u>70,389</u>	<u>106,351</u>
Excess of Receipts Over (Under) Disbursements	(21,928)	21,745	(183)
Fund Cash Balances, January 1	<u>(21,983)</u>	<u>223,974</u>	<u>201,991</u>
Restricted	-	245,719	245,719
Unassigned (Deficit)	<u>(43,911)</u>	<u>-</u>	<u>(43,911)</u>
Fund Cash Balances, December 31	<u><u>\$ (43,911)</u></u>	<u><u>\$ 245,719</u></u>	<u><u>\$ 201,808</u></u>

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

**Washington Township
Lawrence County**

Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December, 31, 2013

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$ 5,533	\$ 8,287	\$ 13,820
Intergovernmental	10,206	89,238	99,444
Interest	-	-	-
Miscellaneous	576	-	576
<i>Total Cash Receipts</i>	<u>16,315</u>	<u>97,525</u>	<u>113,840</u>
Cash Disbursements:			
Current:			
General Government	11,445	-	11,445
Public Safety	-	3,227	3,227
Public Works	-	81,208	81,208
Debt Service:			
Redemption of Principal	-	13,532	13,532
Interest and Fiscal Charges	-	626	626
<i>Total Cash Disbursements</i>	<u>11,445</u>	<u>98,593</u>	<u>110,038</u>
Excess of Receipts Over (Under) Disbursements	4,870	(1,068)	3,802
Fund Cash Balances, January 1	<u>(43,911)</u>	<u>245,719</u>	<u>201,808</u>
Restricted	-	244,651	244,651
Unassigned (Deficit)	<u>(39,041)</u>	<u>-</u>	<u>(39,041)</u>
Fund Cash Balances, December 31	<u><u>\$ (39,041)</u></u>	<u><u>\$ 244,651</u></u>	<u><u>\$ 205,610</u></u>

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

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Washington Township, Lawrence 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's management believes these financial statements present all activities for which the Township is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when an expenditure is made (i.e., when a check is issued).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Township maintains an interest bearing checking account that all funds use. The Township also had two Certificates of Deposit.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Gasoline Tax Fund – This fund receives gasoline tax money for constructing, maintain, and repairing Township roads.

WASHINGTON TOWNSHIP
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

E. **Budgetary Process**

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

1. **Appropriations**

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

2. **Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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. The Township did not use the encumbrance method of accounting.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. **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:

1. **Nonspendable**

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

2. **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.

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amends the resolution. Committed fund balance

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

4. 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.

5. 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.

G. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

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

	<u>2013</u>	<u>2012</u>
Demand deposits	\$100,347	\$99,398
Certificates of deposit	\$106,652	\$106,122
Total	<u>201,991</u>	<u>199,794</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,125	\$15,956	\$1,831
Special Revenue	92,047	97,525	5,478
Total	\$106,172	\$113,481	\$7,309

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$15,450	\$4,226	\$11,224
Special Revenue	276,848	105,452	171,396
Total	\$292,298	\$109,678	\$182,620

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$12,920	\$14,034	\$1,114
Special Revenue	66,039	92,134	26,095
Total	\$78,959	\$106,168	\$27,209

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$12,733	\$30,655	(\$17,922)
Special Revenue	267,152	75,696	191,456
Total	\$279,885	\$106,351	\$173,534

Contrary to Ohio law, expenditures exceeded actual appropriations at December 31, 2012 in the General Fund by \$17,922.

Contrary to Ohio law, appropriations exceeded actual resources in the General Fund by \$38,098 and \$20,682 at December 31, 2013 and 2012, respectively.

Contrary to Ohio law, the Township did not use the encumbrance method of accounting.

Also, contrary to Ohio law, the General Fund balance was \$(39,041) and \$(43,911) at December 31, 2013 and 2012, respectively.

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. Property Tax

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.

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 System

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

6. Risk Management

Risk Pool Membership

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Risk Management (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2012 and 2013.

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

7. Deficit Fund Balances

As of December 31, 2013 and December 31, 2012, the Township had General Fund balances of (\$39,041) and (\$43,911), respectively

8. Contingent Liabilities

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

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

9. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest
Promissory Note	\$6,960	4%

On April 8, 2009 the Township signed a promissory note in the amount of \$63,776 at interest rate of 4.0% to purchase a 2001 Champion grader. The note is secured by the acquired grader.

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

Year ending December 31:	Promissory Note
2014	\$ 7,270
Total	\$ 7,270

10. Fund Balances

The Township implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below

Fund Balances	General	Special Revenue Funds	Permanent Funds	Total Governmental Funds
12/31/2013				
Restricted for				
Road Maintenance	\$ -	\$ 237,867		\$ 237,867
Fire District	-	6,784		6,784
Total Restricted	-	244,651	-	244,651
Unassigned (Deficit)	\$ (39,041)	\$ -	\$ -	\$ (39,041)
Total Fund Balances	\$ (39,041)	\$ 244,651	\$ -	\$ 205,610
12/31/2012				
Restricted for				
Road Maintenance	\$ -	\$ 240,546		\$ 240,546
Cemetery Maintenance	-	5,173		5,173
Total Restricted	-	245,719	-	245,719
Unassigned (Deficit)	\$ (43,911)	\$ -	\$ -	\$ (43,911)
Total Fund Balances	\$ (43,911)	\$ 245,719	\$ -	\$ 201,808



**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards***

Washington Township
Lawrence County
25147 State Route 93
Oak Hill, Ohio 45656

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 Washington Township, Lawrence County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated April 10, 2015 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider findings 2013-001 through 2013-009 described in the accompanying schedule of findings to be material weaknesses.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 through 2013-004 and 2013-007 through 2013-009.

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 communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
April 10, 2015

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The General Fund balance was (\$43,911) at December 31, 2012 and (\$36,732) at December 31, 2013.

A budgetary cycle should be in place for all governments. The budgetary process is a plan to coordinate expenditures and resources. The State Legislature has adopted laws to control expenditures using tax budgets and appropriations. The Auditor of State believes budgeting, properly used, provides the most important monitoring control a government has. It is impossible to incur a cash deficit if a government complies with the budgetary law. Additionally, the budget is an instrument of public policy. A governing board expresses its desire for using a government's limited resources through its appropriations.

We recommend the Fiscal Officer review the Ohio Compliance Supplement for budgetary requirements to implement a budgetary cycle for the Township. We further recommend the Township monitor spending to ensure deficit balances do not occur.

FINDING NUMBER 2013-002

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

The Board of Trustees failed to request a reduced Certificate of Estimated Resources in accordance with realistic receipt expectations, which would have resulted in available resources being below current level of appropriations at December 31, 2013 as follows:

<u>Fund</u>	<u>Current Year Appropriations</u>	<u>Total Actual Resources</u>	<u>Variance</u>
General Fund	15,450	(22,648)	(38,098)

It was noted that the Township had a negative beginning unencumbered balance. Final estimated receipts were still insufficient to cover appropriations.

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-002 (Continued)

Noncompliance Citation/Material Weakness – Ohio Rev. Code Section 5705.36(A) (Continued)

Failing to reduce the estimated resources and correspondingly, the appropriations, when it is determined actual resources will be significantly less than originally anticipated could lead to overspending and deficit fund balances.

We recommend the Township monitor budget and actual receipts and file a reduced certificate of estimated resources and correspondingly reduce appropriations when it is determined the actual resources will fall below the current appropriations.

FINDING NUMBER 2013-003

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Expenditures plus encumbrances exceeded appropriations at December 31, 2012 as follows:

<u>Fund</u>	<u>Expenditures Plus Encumbrances</u>	<u>Appropriation Authority</u>	<u>Variance</u>
General Fund	30,655	12,733	(17,922)

Expenditures exceeding appropriations can result in overspending available resources and deficit fund balances.

We recommend the Fiscal Officer not certify the availability of funds or approve payment requests exceeding appropriations. The Fiscal Officer may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources if necessary.

FINDING NUMBER 2013-004

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-004 (Continued)

Noncompliance Citation/Material Weakness – Ohio Rev. Code Section 5705.4(D)(1) (Continued)

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer did not certify the availability of funds prior to purchase commitments being made for 100% of the expenditures in 2012 and in 2013. The Township did not have sufficient internal controls in place to ensure the certification of the availability of funds. Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-004 (Continued)

Noncompliance Citation/Material Weakness – Ohio Rev. Code Section 5705.4(D)(1) (Continued)

We recommend the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs the commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2013-005

Material Weakness

Sound internal control policies require management and the Board of Trustees to monitor the financial activity of the Township. Actual revenues and expenses should be compared to budgeted amounts each month and reported to and reviewed by the Board of Trustees. The Board of Trustees should determine the reasons why actual expenditures exceeded or were less than budgeted expenditures by making inquiries to fair management about the reasons. Additionally, the Board of Trustees should compare their actual cash balances to budgeted cash balance at the end of each month. When actual cash balances are below budgeted cash balances, the Township should look for ways to increase revenues and/or decrease expenditures budgeted in the upcoming months so as to achieve the budgeted cash balance.

There was no documentation of the extent to which the Board of Trustees used financial information to monitor the financial activity of the Township. The lack of financial information provided to the Board of Trustees for review each month hampered the Board of Trustees' ability to effectively monitor the financial activity and position of the Township. For each regular Board of Trustees' meeting, the Fiscal Officer should provide a detailed budget and financial statements, lists of investments, cash balances and checks paid.

The Board of Trustees should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Township. This information can help answer questions such as the following:

Inquiries Relevant to Overall Township Operations:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the Township maximizing its return on invested cash balances?
- Is the Township able to achieve the financial goals as set by the original or amended budgets?

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-005 (Continued)

Material Weakness (Continued)

In order to effectively monitor the financial activity of the Township, we recommend the Board of Trustees review and accept/ approve the monthly financial information provided by the Fiscal Officer. The review of this information should be noted in the minutes of the meetings of the Board of Trustees.

FINDING NUMBER 2013-006

Material Weakness

Accurate financial reporting is an important part of the Township's overall purpose. Financial reporting requires internal controls in place to help ensure accuracy of reporting.

The Township had numerous adjustments and reclassifications due to errors noted in the receipting and disbursing process. The following areas had audit adjustments and reclassifications made to the Township's financial statements.

- Intergovernmental Revenues
- Property and Other Local Taxes
- Debt Principal and Interest Payments
- Capital Outlay
- Miscellaneous Revenue
- General Governmental Disbursements
- Public Safety
- Public Works

The audited financial statements and Township records have been adjusted for the misstatements above.

The aforementioned errors were the results of a lack of internal controls of financial reporting.

The presentation of materially incorrect financial statements is the responsibility of management. Lack of a properly presented financial statements review process could inhibit its financial accountability to both the public and the Trustees, which they may use to facilitate Township decisions.

The Township should implement internal control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements.

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-007

Noncompliance/Material Weakness

Ohio Admin. Code Section 117-2-02(A) requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Per Ohio Admin. Code Section 117-2-02(D), accounting records that can help achieve these objectives include the following:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.
4. In addition, all local public offices should maintain or provide Payroll records including:
 - W-2 forms, W-4 forms and other withholding records and authorizations;
 - Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments;
 - Check register that includes, in numerical sequence, the check number, payee, net amount, and the date;
 - Information regarding non-monetary benefits such as car usage and life insurance
 - Information, by employee, regarding leave balances and usage.

Using these accounting records will provide the Township with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

The Township maintains a manual accounting system, which included the required ledgers and journals indicated above. However, there were numerous errors in the ledgers and journals which resulted in adjusting entries being made. Some disbursements posted to the cash journal were not posted to the appropriation ledger. The payroll ledgers were incomplete and contained errors. Also, personnel files including payroll withholding documentation were not available for audit. Also, while a reconciliation of township records to bank statements was performed on a monthly basis, the reconciliation documentation was not clear in some cases.

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-007 (Continued)

Noncompliance/Material Weakness – Ohio Admin Code Section 117-2-02(A) and (D) (Continued)

In addition, the reports provided to the Auditor of State for audit were significantly deficient and misstated. The receipts were not reported so as to correctly reflect each source. The expenditures were not reported so as to correctly reflect each purpose. In addition, the Financial Statements did not agree to the underlying accounting records provided by the Fiscal Officer. Significantly deficient and misstated financial reports make it difficult for management to monitor financial performance and for the Township to be transparent to the public in its financial activity.

This led to increased time in completion of our procedures and increased audit fees.

We recommend the Township properly maintain the accounting records and reconcile the cash journal to the bank balances and to the receipts ledger and appropriation ledger monthly.

FINDING NUMBER 2013-008

Noncompliance/Material Weakness

Ohio Rev. Code § 505.24(C) states in part that the board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed. AOS Bulletin 2013-002 states attendance at board meetings and other activities supporting the general business of the township must be allocated to the general fund; therefore, allocating 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law.

Contrary to AOS Bulletin 2013-002 the Trustees certified 100 percent of their compensation to the Gasoline Tax Fund. In 2013, the Township certified the Fiscal Officer's compensation to various funds with 10 percent being allocated to the General Fund. This allocation of 10 percent should have also been utilized for the Trustees and certified in accordance with the Ohio Revised Code.

Utilizing the 10 percent allocation above, \$5,307 in 2012 and \$4,550 in 2013 of Trustee compensation should have been paid out of the General Fund instead of the Gasoline Tax Fund. The Township adjusted a total of \$9,857 in their accounting records and in the accompanying financial statements.

We recommend that the Township allocate a portion of the Trustees' compensation to the General Fund since a portion of their activities would be supporting the general business of the Township.

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-009

Noncompliance/Material Weakness

Ohio Rev. Code Section 505.601 states that If a board of Township trustees does not procure policy or group health care services as provided in section 505.60 of the Revised Code, the board of Township trustees may reimburse any Township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

(A) The board of Township trustees adopts a resolution that states that the Township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium attributable to the coverage provided for them for insurance benefits described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the Township will not reimburse the officer or employee.

(C) That resolution states the specific benefits listed in division (A) of section 505.60 of the Revised Code for which the Township will reimburse all officers and employees of the Township. The Township may not reimburse officers and employees for benefits other than those listed in division (A) of section 505.60 of the Revised Code.

The insurance reimbursement policy permitted by the Ohio Revised Code does not extend to out of pocket prescription drug expense.

In addition to insurance reimbursements, the Township reimbursed Douglas Dickens, Township Trustee, for other medical expenses in the amount of \$233 for 2012 and \$231 for 2013.

Also, the Township reimbursed Wayne Keels, Township Fiscal Officer, for other medical expenses in the amount of \$490 for 2012 and \$651 for 2013. These expenditures may not be allowable.

We recommend that reimbursements not be made to any Township Official or Employee except as permitted by the Ohio Revised Code.

Official's Response: We did not receive a response from Officials to the Findings reported above.

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Rev. Code Section 5705.10 – Negative fund balances	No	Reissued as 2013-001
2011-02	Ohio Rev. Code Section 5705.36(A)(4) – Appropriations exceed estimated resources	No	Reissued as 2013-002
2011-03	Ohio Rev. Code Section 5705.41(B) – Expenditures exceed appropriations	No	Reissued as 2013-003
2011-04	Ohio Rev. Code Section 5705.41(D) – Certifying availability of funds before expenditure	No	Reissued as 2013-004
2011-05	Material Weakness – Maintaining financial records	No	Reissued as 2013-005
2011-06	Material Weakness – Financial Reporting	No	Reissued as 2013-006
2011-07	Ohio Admin. Code Section 117-2-02 – Accounting system and accounting records	No	Reissued as 2013-007



Dave Yost • Auditor of State

WASHINGTON TOWNSHIP

LAWRENCE 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 11, 2015**