



Dave Yost · Auditor of State

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Murray City
Hocking County
P.O. Box 241
Murray City, Ohio 43144

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Murray City, Hocking County, Ohio (the Village), as of and for the years ended December 31, 2015 and 2014.

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 § 117.38 and Ohio Administrative Code § 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 Village'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 Village'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.

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 Village 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 § 117.38 and Ohio Administrative Code § 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 Village as of December 31, 2015 and 2014, 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 the Village of Murray City, Hocking County, Ohio, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 9 to the financial statements, Village Council restated the January 1, 2013 General Fund and Enterprise Fund balance to move a Sewer Planning Fund disbursement paid from the General Fund in the previous audit. The January 1, 2013 General Fund and Special Revenue Fund balances were also restated for Special Revenue receipts posted to the General Fund in the previous audit. Our opinion is not modified with respect to these matters.

Village of Murray City
Hocking County
Independent Auditors' Report
Page 3

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017, on our consideration of the Village'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 Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

June 29, 2017

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**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$27,816	\$13,407	\$41,223
Intergovernmental	16,275	67,830	84,105
Charges for Services	9,514	0	9,514
Fines, Licenses and Permits	8,606	0	8,606
Earnings on Investments	46	28	74
Miscellaneous	1,469	2,051	3,520
<i>Total Cash Receipts</i>	<u>63,726</u>	<u>83,316</u>	<u>147,042</u>
Cash Disbursements			
Current:			
Security of Persons and Property	29,791	33,695	63,486
Transportation	0	30,843	30,843
General Government	39,859	318	40,177
Capital Outlay	0	10,063	10,063
Debt Service:			
Principal Retirement	1,999	2,039	4,038
Interest and Fiscal Charges	0	562	562
<i>Total Cash Disbursements</i>	<u>71,649</u>	<u>77,520</u>	<u>149,169</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(7,923)</u>	<u>5,796</u>	<u>(2,127)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(7,923)</u>	<u>5,796</u>	<u>(2,127)</u>
<i>Fund Cash Balances, January 1</i>	<u>8,928</u>	<u>24,692</u>	<u>33,620</u>
Fund Cash Balances, December 31			
Restricted	0	30,488	30,488
Assigned	1,005	0	1,005
<i>Fund Cash Balances, December 31</i>	<u>\$1,005</u>	<u>\$30,488</u>	<u>\$31,493</u>

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

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$87,087	\$0	\$87,087
<i>Total Operating Cash Receipts</i>	<u>87,087</u>	<u>0</u>	<u>87,087</u>
Operating Cash Disbursements			
Personal Services	7,560	0	7,560
Employee Fringe Benefits	3,693	0	3,693
Contractual Services	55,715	0	55,715
Supplies and Materials	2,595	0	2,595
<i>Total Operating Cash Disbursements</i>	<u>69,563</u>	<u>0</u>	<u>69,563</u>
<i>Operating Income (Loss)</i>	<u>17,524</u>	<u>0</u>	<u>17,524</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	937	0	937
Principal Retirement	(23,521)	0	(23,521)
Other Financing Sources	0	8,357	8,357
Other Financing Uses	0	(8,975)	(8,975)
<i>Total Non-Operating (Disbursements)</i>	<u>(22,584)</u>	<u>(618)</u>	<u>(23,202)</u>
<i>(Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>(5,060)</u>	<u>(618)</u>	<u>(5,678)</u>
Capital Contributions	<u>25,787</u>	<u>0</u>	<u>25,787</u>
<i>Net Change in Fund Cash Balances</i>	<u>20,727</u>	<u>(618)</u>	<u>20,109</u>
<i>Fund Cash Balances, January 1</i>	<u>18,071</u>	<u>701</u>	<u>18,772</u>
<i>Fund Cash Balances, December 31</i>	<u>\$38,798</u>	<u>\$83</u>	<u>\$38,881</u>

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

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$29,135	\$12,895	\$42,030
Intergovernmental	13,449	28,108	41,557
Charges for Services	14,385	0	14,385
Fines, Licenses and Permits	8,745	0	8,745
Earnings on Investments	27	28	55
Miscellaneous	3,311	0	3,311
<i>Total Cash Receipts</i>	<i>69,052</i>	<i>41,031</i>	<i>110,083</i>
Cash Disbursements			
Current:			
Security of Persons and Property	40,841	4,457	45,298
Leisure Time Activities	0	100	100
Transportation	0	33,714	33,714
General Government	39,480	510	39,990
Capital Outlay	2,000	17,005	19,005
Debt Service:			
Principal Retirement	0	4,891	4,891
Interest and Fiscal Charges	0	400	400
<i>Total Cash Disbursements</i>	<i>82,321</i>	<i>61,077</i>	<i>143,398</i>
<i>Excess of Receipts (Under) Disbursements</i>	<i>(13,269)</i>	<i>(20,046)</i>	<i>(33,315)</i>
Other Financing Receipts (Disbursements)			
Other Debt Proceeds	0	17,005	17,005
Sale of Capital Assets	9,395	0	9,395
<i>Total Other Financing Receipts</i>	<i>9,395</i>	<i>17,005</i>	<i>26,400</i>
<i>Net Change in Fund Cash Balances</i>	<i>(3,874)</i>	<i>(3,041)</i>	<i>(6,915)</i>
<i>Fund Cash Balances, January 1 (As Restated - See Note 9)</i>	<i>12,802</i>	<i>27,733</i>	<i>40,535</i>
Fund Cash Balances, December 31			
Restricted	0	26,318	26,318
Assigned	8,928	0	8,928
Unassigned (Deficit)	0	(1,626)	(1,626)
<i>Fund Cash Balances, December 31</i>	<i>\$8,928</i>	<i>\$24,692</i>	<i>\$33,620</i>

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

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$87,512	\$0	\$87,512
<i>Total Operating Cash Receipts</i>	<i>87,512</i>	<i>0</i>	<i>87,512</i>
Operating Cash Disbursements			
Personal Services	9,683	0	9,683
Employee Fringe Benefits	11,065	0	11,065
Contractual Services	61,351	0	61,351
Supplies and Materials	2,018	0	2,018
<i>Total Operating Cash Disbursements</i>	<i>84,117</i>	<i>0</i>	<i>84,117</i>
<i>Operating Income</i>	<i>3,395</i>	<i>0</i>	<i>3,395</i>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(20,484)	0	(20,484)
Other Financing Sources	0	9,528	9,528
Other Financing Uses	0	(8,930)	(8,930)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(20,484)</i>	<i>598</i>	<i>(19,886)</i>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<i>(17,089)</i>	<i>598</i>	<i>(16,491)</i>
Capital Contributions	25,676	0	25,676
<i>Net Change in Fund Cash Balances</i>	<i>8,587</i>	<i>598</i>	<i>9,185</i>
<i>Fund Cash Balances, January 1 (As Restated - See Note 9)</i>	<i>9,484</i>	<i>103</i>	<i>9,587</i>
<i>Fund Cash Balances, December 31</i>	<i>\$18,071</i>	<i>\$701</i>	<i>\$18,772</i>

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

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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 the Village of Murray City, Hocking County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, street maintenance, water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits

The Village invests all available funds in interest bearing checking accounts. Interest earned is recognized and recorded when received.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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 Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing Village streets.

Fire Fund - This fund receives fire levy monies to provide fire protection.

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

State Grant Fire Department Fund - This fund receives grant monies to purchase equipment.

3. Enterprise Fund

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Water Fund - This fund receives charges for services from residents to cover water service costs.

4. Fiduciary Fund

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the activity of the Mayor's Court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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 Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into three classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. 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.

2. 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 Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

H. 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.

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2015	2014
Demand deposits	<u><u>\$70,374</u></u>	<u><u>\$52,392</u></u>

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,657	\$63,726	\$69
Special Revenue	36,521	83,316	46,795
Enterprise	101,000	113,811	12,811
Total	<u><u>\$201,178</u></u>	<u><u>\$260,853</u></u>	<u><u>\$59,675</u></u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$76,233	\$71,869	\$4,364
Special Revenue	83,543	77,520	6,023
Enterprise	95,316	98,523	(3,207)
Total	<u><u>\$255,092</u></u>	<u><u>\$247,912</u></u>	<u><u>\$7,180</u></u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,493	\$78,447	\$13,954
Special Revenue	35,238	58,036	22,798
Enterprise	101,000	113,188	12,188
Total	<u><u>\$200,731</u></u>	<u><u>\$249,671</u></u>	<u><u>\$48,940</u></u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$67,259	\$85,768	(\$18,509)
Special Revenue	38,350	61,080	(22,730)
Enterprise	130,166	104,636	25,530
Total	<u><u>\$235,775</u></u>	<u><u>\$251,484</u></u>	<u><u>(\$15,709)</u></u>

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. Budgetary Activity (Continued)

Contrary to Ohio Rev. Code § 5705.10(I), during 2015 and 2014, the Village had deficit fund balances in the General, Fire, and Water Operating Funds.

Contrary to Ohio Rev. Code § 5705.39, appropriations exceeded estimated receipts in several funds during the audit period.

Contrary to Ohio Rev. Code § 5705.41(B), expenditures exceeded appropriations in several funds during 2015 and 2014.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council 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 Village.

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

5. DEBT

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$438,017	0%
Water System Renovation Design	14,398	0%
Ohio Water Development Authority Loan	11,007	4%
Waste Water Planning		
Fire Truck Loan	<u>\$463,422</u>	
Total		

The Ohio Water Development Authority (OWDA) Water System Renovation and Design loan relates to a water system renovation project approved in 2009. The OWDA approved a total project cost of \$1,190,621, including \$665,000 in principal forgiveness using ARRA grant funding. The Village will repay the loan in semiannual installments of \$8,760 over 30 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The OWDA Waste Water Planning loan relates to a waste water project approved in 2013. OWDA approved a total project cost of \$30,000. This loan has not been fully dispersed as of December 31, 2015, and no amortization schedule is available for its repayment.

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

5. DEBT (Continued)

The Village obtained a loan from the First National Bank to purchase a fire truck in 2014. The loan will be repaid in semiannual installments of \$2,300, including interest, through April 2018. This loan is uncollateralized.

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

Year ending December 31:	OWDA Water System	
	Renovation Design	Fire Truck Loan
2016	\$17,521	\$4,600
2017	17,521	4,600
2018	17,521	2,483
2019	17,521	0
2020	17,519	0
2021-2025	87,604	0
2026-2030	87,604	0
2031-2035	87,603	0
2036-2040	87,603	0
Total	<u>\$438,017</u>	<u>\$11,683</u>

6. RETIREMENT SYSTEM

The Village'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 2015 and 2014, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

7. Deficit Fund Balance

The Village had a deficit fund balances in the Fire Fund and Water Operating Fund as of December 31, 2014 in the amount of \$1,626 and \$5,184, respectively.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

9. RESTATEMENT OF PRIOR YEAR BALANCE

The Village had the following restatement:

	General Fund	Special Revenue Fund	Enterprise Fund
Reported Fund Balance at December 31, 2013	\$ 6,156	\$ 27,258	\$ 16,604
Prior year errors	(475)	475	0
Prior year misposted disbursement	7,121	0	(7,121)
Restated Fund Balance at January 1, 2014:	\$ 12,802	\$ 27,733	\$ 9,484

10. CONTINGENT LIABILITIES

The Auditor of State is conducting a special investigation. As of the date of this report, the investigation is ongoing. The results of the investigation will be reported on at a later date.

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Dave Yost • Auditor of State

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

Village of Murray City
Hocking County
P.O. Box 241
Murray City, Ohio 43144

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Murray City, Hocking County, Ohio, (the Village), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 29, 2017 wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the Village restated the beginning January 1, 2013 General and Enterprise Fund balances to move a prior year disbursement and General and Special Revenue Fund balances to correct a prior receipt incorrectly posted to the General Fund.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village'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 Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2015-006 and 2015-007 to be material weaknesses.

Village of Muray City
Hocking County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Compliance and Other Matters

As part of reasonably assuring whether the Village'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 2015-001 through 2015-007.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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 Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

June 29, 2017

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Noncompliance

Ohio Rev. Code § 9.38 states public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day following the date of receipt.

The Water Works Department did not deposit utility receipts collected to the Fiscal Officer or into the designated depository within the required time limit for forty-four and sixty-five percent of utility receipts in 2015 and 2014, respectively. In addition, fifty-six percent and seventy-five percent of Mayor's Court receipts were not deposited timely for 2015 and 2014, respectively. Failure to deposit timely opens the receipts to theft or loss of identifying documentation.

The Village should deposit receipts collected to the Fiscal Officer or designated depository on the day following the date of receipt.

Officials' Response: Village Council will take steps to ensure revenue is deposited in a more timely manner.

FINDING NUMBER 2015-002

Noncompliance

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

At December 31, 2014, the Water Operating Fund and the Fire Fund were negative \$5,184 and \$1,626, respectively. In addition, the Water Operating Fund had negative fund balances of \$11,599, \$15,681, and \$9,727 for months ending January, May, and September 2014.

Furthermore, the General, Fire, and Water Operating Funds were negative \$4,758, \$1,626, and \$3,683, respectively, at March 31, 2015.

A deficit cash fund balance indicates that money from one fund was used to cover the expenses of another fund. Fund activity should be monitored to prevent future disbursements in excess of available resources.

The Fiscal Officer should use money paid into a fund only for purposes for which such fund was established. Expenditures should not be permitted from funds with no balance or with a negative balance. Steps should be identified and implemented that would help the Village reduce spending, increase revenues, or both.

Officials' Response: The Village has already taken steps to correct all negative fund balances and will make sure that all expenditures are paid from the correct fund.

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-003

Noncompliance

Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

Appropriations exceeded estimated resources at December 31, 2015, in the following funds:

	Estimated Resources	Appropriations	Variance
State Grant Fire Department Fund	\$0	\$28,797	(\$28,797)

Appropriations exceeded estimated resources at December 31, 2014, in the following funds:

	Estimated Resources	Appropriations	Variance
State Highway Fund	\$1,949	\$3,000	(\$1,051)
Park Fund	0	100	(100)
Water Operating Fund	51,667	82,048	(30,381)
Sewer Planning Fund	16,276	30,000	(13,724)

Failure to limit appropriations to estimated resources could result in overspending and negative fund balances.

The Fiscal Officer should monitor the approved appropriations to ensure they do not exceed the estimated resources on the amended certificates.

Officials' Response: The Fiscal Officer will monitor appropriations to make sure that they do not exceed estimated resources.

FINDING NUMBER 2015-004

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated.

At December 31, 2015, disbursements exceeded appropriations in the following funds:

	Authority	Expenditures	Variance
State Grant - State Fire Marshall Fund	\$0	\$10,063	(\$10,063)
Fire Levy Fund	6,073	7,656	(1,583)
Sewer Planning Fund	6,000	10,273	(4,273)

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-004 (Continued)

Noncompliance – Ohio Rev. Code § 5705.41(B) (Continued)

At December 31, 2014, disbursements exceeded appropriations in the following funds:

	Authority	Expenditures	Variance
General Fund	\$67,259	\$85,768	(\$18,509)
Street Construction, Maintenance, and Repair Fund	27,596	31,055	(3,459)
Fire Levy Fund	7,654	27,001	(19,347)

This practice can lead to overspending and negative fund balances.

The Fiscal Officer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, Village Council should adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

Officials' Response: The Fiscal Officer will monitor appropriations and deny requests for payment when necessary.

FINDING NUMBER 2015-005

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) states, in part, that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment 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. Every such contract made without such a certificate shall be void and no warrants shall be issued in payment of any amount due thereon. There are several exceptions to the standard requirement states 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, blank certificates, and super blanket certificates, which are provided for in §§ 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from 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 Village.

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-005 (Continued)

Noncompliance - Ohio Rev. Code § 5705.41(D)(1) (Continued)

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate 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. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate – The Village 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 Village had unrecorded encumbrances of \$10,574 and \$6,018 at December 31, 2015 and 2014, respectively, in various funds. These unrecorded encumbrances represents one hundred percent and seventy-five percent of transactions tested not certified by the Fiscal Officer at the time the commitment was incurred at December 31, 2015 and 2014. In addition, there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Furthermore, the Village used "blanket" certificates in which Village Council did not have a resolution adopted to establish a maximum amount.

Unless the exceptions noted above are used, prior certification is not only required by statute but is 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 Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

The Village officials should obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to the purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. In addition, Village Council should adopt a resolution to establish a maximum amount for “blanket” certificates.

Officials' Response: The Fiscal Officer will be required to use the proper type of purchase order and Village Council will set limits for blanket certificates.

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-006

Noncompliance/Material Weakness

Ohio Admin. Code § 117-2-02(A) provides that all local public offices 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.

As a result of the audit procedures performed, the financial statements had the following errors that required audit adjustment or reclassification:

In 2014:

- General Fund sale of capital asset receipts of \$9,395 were incorrectly posted as miscellaneous;
- General Fund beginning fund balance decreased \$475 to record errors from prior years;
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.176 require reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Village improperly reported the assigned portion of the General Funds' cash fund balance as unassigned, in the amount of \$8,928;
- Street Construction, Maintenance, and Repair Fund intergovernmental receipt and transportation disbursement of \$4,600 were unrecorded;
- Street Construction, Maintenance, and Repair Fund beginning fund balance increased \$439 to record errors from prior years;
- State Highway Fund beginning fund balance increased \$36 to record errors from prior years;
- Fire Levy Fund loan proceeds and capital outlay disbursements of \$17,005 were unrecorded;
- Water Operating Fund beginning fund balance decreased \$1,634 to record errors from prior years;
- Water Debt Fund beginning fund balance increased \$1,634 to record errors from prior years;
- Mayor's Court Fund other financing uses of \$103 was incorrectly posted as other;
- Mayor's Court Fund other financing sources of \$9,528 were unrecorded; and
- Mayor's Court Fund other financing uses of \$8,827 were unrecorded.

In 2015:

- General Fund intergovernmental revenue of \$449 was incorrectly posted to the Street Construction, Maintenance, and Repair Fund in the amount of \$415 and State Highway Fund in the amount of \$34, both as intergovernmental receipts;
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.176 require reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Village improperly reported the assigned portion of the General Funds' cash fund balance as unassigned, in the amount of \$1,005;
- Street Construction, Maintenance, and Repair Fund intergovernmental receipt of \$441 was incorrectly posted as intergovernmental in the State Highway Fund;
- Street Construction, Maintenance, and Repair Fund intergovernmental receipt of \$49 and transportation disbursement of \$7 were incorrectly posted to the General Fund as intergovernmental and general government;

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-006 (Continued)

Noncompliance/Material Weakness - Ohio Admin Code § 117-2-02(A) (Continued)

- Street Construction, Maintenance, and Repair Fund intergovernmental receipt and transportation disbursement of \$6,000 were unrecorded;
- Fire Levy Fund intergovernmental receipt of \$123 and security of persons and property disbursement of \$6 were incorrectly posted to the General Funds intergovernmental and general government;
- Mayor's Court other financing sources of \$8,357 were unrecorded; and
- Mayor's Court other financing uses of \$8,975 were unrecorded.

The audited financial statements and the Village's UAN accounting system have been adjusted for the items noted above.

The Fiscal Officer should review the Village handbook for guidance to ensure the financial statements are complete and accurate. The Fiscal Officer should also review Auditor of State Bulletin 2011-004 for Statement No. 54 of the Governmental Accounting Standards Board (GASB) for proper reporting of fund balances on the financial statements [see GASB Cod. 1800.165].

Officials' Response: The Fiscal officer will be required to post receipts to the proper funds and accounts.

FINDING NUMBER 2015-007

Noncompliance/Material Weakness

Ohio Admin. Code § 117-2-02(C)(1) provides that all local public offices integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2015, estimated receipts as approved by the Budget Commission did not agree to the Village's ledgers for the following funds:

	Approved	UAN system	Variance
State Fire Marhsall Grant	\$0	\$10,000	(\$10,000)
State Grant - Fire Dept. MARCS	0	28,797	(28,797)
Fire Levy Fund	9,700	10,700	(1,000)

At December 31, 2014, estimated receipts as approved by the Budget Commission did not agree to the Village's ledgers for the following funds:

	Approved	UAN system	Variance
General Fund	\$ 64,493	\$ 76,644	\$ (12,151)
Street Construction, Maintenance, and Repair Fund	25,776	24,618	1,158
Fire Levy Fund	8,061	6,830	1,231
Water Operating Fund	76,500	72,500	4,000
Sewer Planning Fund	7,000	14,000	(7,000)

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-007 (Continued)

Noncompliance/Material Weakness Ohio Admin. Code § 117-2-02(C)(1) (Continued)

At December 31, 2015, approved appropriations did not agree to the Village's ledgers as follows:

	Approved	UAN system	Variance
State Fire Marshall Grant Fund	\$0	\$10,063	(\$10,063)
Fire Levy Fund	6,073	9,073	(3,000)
Sewer Planning Fund	6,000	13,539	(7,539)

Due to budgetary information being improperly entered into the system, the management of the Village lost some degree of budgetary control. An adjustment was made in the budgetary activity note reported in Note 3 to the financial statements in order to accurately present estimated receipts as approved by the budget commission and appropriations as approved by Village Council.

The Fiscal Officer should accurately post estimated receipts as certified by the County Budget Commission and appropriations as approved by the Village Council. This procedure will help ensure more useful comparison of budget to actual activity and provide management with an accurate monitoring tool throughout the year.

Officials' Response: The Fiscal Officer will be required to properly post revenue and appropriation budgets in compliance with the Budget Commission and Village Council.

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code § 9.38 – not depositing money timely.	No	Not Corrected; reissued as Finding Number 2015-001.
2013-002	Ohio Rev. Code § 5705.10(I) for deficit fund balances.	No	Not Corrected; reissued as Finding Number 2015-002.
2013-003	Ohio Rev. Code § 5705.38(A) for not approving permanent appropriations by the first day of the fiscal year.	Yes	
2013-004	Ohio Rev. Code § 5705.39 appropriations exceeded estimated receipts.	No	Not Corrected; reissued as Finding Number 2015-003.
2013-005	Ohio Rev. Code § 5705.40 Board approved appropriations did not reconcile to amounts recorded in UAN.	No	Not Corrected; included in Finding Number 2015-007.
2013-006	Ohio Rev. Code § 5705.41(B) total disbursements exceeded appropriations.	No	Not Corrected; reissued as Finding Number 2015-004.
2013-007	Ohio Rev. Code § 5705.41(D) not properly certifying funds prior to commitment.	No	Not Corrected; reissued as Finding Number 2015-005.
2013-008	Ohio Admin. Code § 117-2-02(A) for incorrectly posting receipts and disbursements.	No	Not Corrected; reissued as Finding Number 2015-006.
2013-009	Ohio Admin. Code § 117-2-02(C)(1) approved estimated receipts and appropriations did not reconcile to amounts in UAN.	No	Not Corrected; reissued as Finding Number 2015-007.
2013-010	Ohio Admin. Code § 117-2-02(D) – not maintain public records.	Yes	
2013-011	Material weakness for lack of segregation of duties and the absence of Council monitoring.	No	Partially Corrected; reissued in the Management Letter.
2013-012	Significant Deficiency for not including front and back of check images.	No	Not Corrected; reissued in the Management Letter.



Dave Yost • Auditor of State

VILLAGE OF MURRAY CITY

HOCKING 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
JULY 11, 2017