



Dave Yost • Auditor of State

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Jefferson Township
Muskingum County
1595 Main Street
Dresden, Ohio 43821

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Jefferson Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 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 Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 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 § 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 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 § 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 Township as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Jefferson Township, Muskingum County, Ohio, as of December 31, 2017 and 2016, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 7, 2018

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

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

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$27,497	\$108,098	\$28,022	\$163,617
Intergovernmental	22,406	93,752	0	116,158
Earnings on Investments	1,401	412	0	1,813
Miscellaneous	3,121	3,332	0	6,453
<i>Total Cash Receipts</i>	<u>54,425</u>	<u>205,594</u>	<u>28,022</u>	<u>288,041</u>
Cash Disbursements				
Current:				
General Government	23,508	5,666	0	29,174
Public Safety	0	24,985	0	24,985
Public Works	0	120,968	0	120,968
Conservation-Recreation	0	18,059	0	18,059
Debt Service:				
Principal Retirement	0	0	19,462	19,462
Interest and Fiscal Charges	0	0	8,281	8,281
<i>Total Cash Disbursements</i>	<u>23,508</u>	<u>169,678</u>	<u>27,743</u>	<u>220,929</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>30,917</u>	<u>35,916</u>	<u>279</u>	<u>67,112</u>
Other Financing Receipts (Disbursements)				
Advances In	0	0	14,000	14,000
Advances Out	(14,000)	0	0	(14,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(14,000)</u>	<u>0</u>	<u>14,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	16,917	35,916	14,279	67,112
<i>Fund Cash Balances, January 1</i>	<u>51,704</u>	<u>257,586</u>	<u>1,242</u>	<u>310,532</u>
Fund Cash Balances, December 31				
Restricted	0	219,696	15,521	235,217
Committed	0	73,806	0	73,806
Assigned	480	0	0	480
Unassigned	68,141	0	0	68,141
<i>Fund Cash Balances, December 31</i>	<u>\$68,621</u>	<u>\$293,502</u>	<u>\$15,521</u>	<u>\$377,644</u>

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

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**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 Jefferson Township, Muskingum County, as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the Village of Dresden to provide both fire and ambulance services.

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management plan. Member governments pay annual premiums to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

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

B. Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, which are organized on a fund type basis.

C. Deposits and Investments

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

The Township has two deposit accounts (a checking account and a sweep account). The Township does not have any equity investments, bonds or certificates of deposit.

D. Fund Accounting

The Township uses funds accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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 Township had the following significant Special Revenue Funds:

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

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

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

Fire District Fund – The fire district fund receives tax money from two concurrent tax levies to pay for Fire and EMS services provided by the Village of Dresden.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

General Bond Retirement Funds – These funds receives property tax money to pay for the debt service requirements on a F350 truck and township building that is used to house road equipment, supplies, tools, and the township's administrative offices.

E. Basis of Accounting

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).

F. Budgetary Process

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

1. Appropriations

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

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Budgetary Process (Continued)

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 Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

G. Capital Assets

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

H. 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

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

H. Fund Balance (Continued)

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.

2. Equity in Pooled Deposits

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

Demand deposits	2017
	\$377,644

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,000	\$54,425	\$6,425
Special Revenue	190,700	205,594	14,894
Debt Service	28,107	28,022	(85)
Total	\$266,807	\$288,041	\$21,234

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$55,625	\$23,988	\$31,637
Special Revenue	267,672	172,413	95,259
Debt Service	29,200	27,743	1,457
Total	\$352,497	\$224,144	\$128,353

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

3. Budgetary Activity (Continued)

Contrary to Ohio Rev. Code § 5705.38, 5705.40 and 5705.41(B), the Township did not file its annual appropriations until May 2, 2017, causing expenditures to exceed appropriations from January through this date, and six supplemental appropriations posted to the Township's UAN system, ranging from \$20 to \$1,000, were not approved by the Board of Trustees.

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.

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

5. Interfund Balances

Outstanding advances at December 31, 2017, consisted of \$14,000 advanced to the General Bond Note Retirement funds from the General Fund to provide working capital for payments.

6. Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

Risk Pool Membership

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 § 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.

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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

6. Risk Management (Continued)

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, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

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

7. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

8. Postemployment Benefits

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

9. Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$175,285	4%
Truck Bond	43,037	2.63%
	\$218,322	

The Township issued general obligation bonds to finance the construction of a Township building. The Township's taxing authority collateralized the bonds.

The Township issued equipment bonds for the purchase of a dump truck for Township road maintenance. The Township's taxing authority collateralized the bonds.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

9. Debt (Continued)

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

Year Ending December 31	General Obligation Bonds	Truck Bond
018	\$16,110	\$11,415
2019	16,110	11,415
2020	16,110	11,415
2021	16,110	11,415
2022	16,110	
2023-2027	80,552	
2028-2031	64,441	
Total	\$225,543	\$45,660

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**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

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

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$24,378	\$85,090	\$28,023	\$137,491
Intergovernmental	18,864	91,572	0	110,436
Earnings on Investments	218	82	0	300
Miscellaneous	0	5,881	0	5,881
<i>Total Cash Receipts</i>	<u>43,460</u>	<u>182,625</u>	<u>28,023</u>	<u>254,108</u>
Cash Disbursements				
Current:				
General Government	32,779	4,810	0	37,589
Public Safety	0	24,897	0	24,897
Public Works	0	100,133	0	100,133
Conservation-Recreation	0	40,001	0	40,001
Debt Service:				
Principal Retirement	0	0	18,921	18,921
Interest and Fiscal Charges	0	0	8,605	8,605
<i>Total Cash Disbursements</i>	<u>32,779</u>	<u>169,841</u>	<u>27,526</u>	<u>230,146</u>
<i>Excess of Receipts Over Disbursements</i>	<u>10,681</u>	<u>12,784</u>	<u>497</u>	<u>23,962</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	0	9,375	0	9,375
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>9,375</u>	<u>0</u>	<u>9,375</u>
<i>Net Change in Fund Cash Balances</i>	10,681	22,159	497	33,337
<i>Fund Cash Balances, January 1</i>	<u>41,023</u>	<u>235,427</u>	<u>745</u>	<u>277,195</u>
Fund Cash Balances, December 31				
Restricted	0	191,356	1,242	192,598
Committed	0	66,230	0	66,230
Assigned	16,057	0	0	16,057
Unassigned	35,647	0	0	35,647
<i>Fund Cash Balances, December 31</i>	<u>\$51,704</u>	<u>\$257,586</u>	<u>\$1,242</u>	<u>\$310,532</u>

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

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**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 Jefferson Township, Muskingum County, as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the Village of Dresden to provide both fire and ambulance services.

The Township participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management plan. Member governments pay annual premiums to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

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 a commitment is made (i.e., when an encumbrance is approved).

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

C. Deposits and Investments

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

The Township has two deposit accounts (a checking account and a sweep account). The Township does not have any equity investments, bonds or certificates of deposit.

D. Fund Accounting

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

1. General Fund

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

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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 Township had the following significant Special Revenue Funds:

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

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

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for constructing, maintaining, and repairing township roads.

Fire District Fund - This fund receives tax money from two concurrent tax levies to pay for Fire and EMS services provided by the Village of Dresden.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

General Bond Retirement Funds – These funds receives property tax money to pay for the debt service requirements on a F350 truck and township building that is used to house road equipment, supplies, tools, and the township's administrative offices.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

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

A summary of 2016 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

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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 and investments. The carrying amount of deposits at December 31 was as follows:

	2016
Demand deposits	\$310,532

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,181	\$43,460	(\$6,721)
Special Revenue	225,350	192,000	(33,350)
Debt Service	16,607	28,023	11,416
Total	\$292,138	\$263,483	(\$28,655)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$50,605	\$33,154	\$17,451
Special Revenue	291,200	171,963	119,237
Debt Service	31,600	27,526	4,074
Total	\$373,405	\$232,643	\$140,762

Contrary to Ohio Rev. Code §§ 5705.38, 5705.40 and 5705.41(B), the Township did not file its annual appropriations until June 13, 2016 causing expenditures to exceed appropriations from January through this date and twelve supplemental appropriations posted to the Township's UAN system ranging from \$1 to \$3,000 were not approved by the Board of Trustees. In addition, contrary to Ohio Rev. Code § 5705.39, the Township had appropriations in excess of estimated resources of \$14,248 in the General Bond Retirement Funds.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(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.

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

5. Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$184,683	4%
Truck Bond	53,102	2.63%
	<u>\$237,785</u>	

The Township issued general obligation bonds to finance the construction of a Township building. The Township's taxing authority collateralized the bonds.

The Township also purchased a new 2016 Ford Dump Truck totaling \$62,769 in 2015 for road maintenance. The Township's taxing authority collateralized the bonds.

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

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	<u>Truck Bond</u>
2017	\$16,110	\$11,415
2018	16,110	11,415
2019	16,110	11,415
2020	16,110	11,415
2021	16,110	11,415
2022-2026	80,552	
2027-2031	80,551	
Total	<u>\$241,653</u>	<u>\$57,075</u>

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

7. Postemployment Benefits

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

8. Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

Risk Pool Membership

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 § 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.

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. Until November 1, 2016, the OPRM retained 47% 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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.

JEFFERSON TOWNSHIP
MUSKINGUM COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

8. Risk Management (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

<u>2016</u>	
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

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

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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

Jefferson Township
Muskingum County
1595 Main Street
Dresden, Ohio 43821

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Jefferson Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated November 7, 2018 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2017-001, 2017-002, and 2017-004 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 2017-001 through 2017-003.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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
Columbus, Ohio

November 7, 2018

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Noncompliance and Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 and .A16.

Ohio Admin. Code § 117-2-02(A) states that all local public offices shall 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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code § 117-2-03.

In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue has external legal constraints as Restricted. GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as Committed. GASB Cod. 1800.173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. GASB Cod. 1800.177 designates Unassigned fund balance as the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

During 2017, the Fiscal Officer classified certain significant transactions incorrectly as follows:

- Homestead and rollback receipts, totaling \$4,778, were posted entirely to the General Fund as Property and Other Local Taxes rather than Intergovernmental receipts, in amounts totaling \$1,564, \$824 and \$2,390, in the General, Fire District, and Road and Bridge Funds, respectively.
- A portion of the second half real estate property tax settlement, in the amount of \$14,011, was posted to Property and Other Local Taxes, in the Road and Bridge Fund, instead of being apportioned, in the amounts of \$8,304 and \$5,707, to General Bond Note Retirements Funds (Funds 3101 and 3102, respectively).

During 2016, the Fiscal Officer classified certain significant transactions incorrectly as follows:

- Homestead and rollback receipts, totaling \$4,306, were posted entirely to the General Fund as Property and Other Local Taxes rather than Intergovernmental receipts, in amounts totaling \$1,378, \$776 and \$2,152, in the General, Fire District, and Road and Bridge Funds, respectively.
- An estate tax receipt, in the amount of \$2,431, was posted in the General Fund as Property and Other Local Taxes instead of Intergovernmental receipts.
- Proceeds from the sale of a truck, in the amount of \$9,375, were classified as Miscellaneous Revenue in the Gasoline Tax Fund Type instead of as Sale of Capital Assets.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-001 (Continued)

Noncompliance and Material Weakness (Continued)

In addition, the Township improperly reported its entire General Fund balance as Assigned rather than reporting subsequent year appropriations in excess of estimated receipts and encumbrances, totaling \$480 and \$16,057, as Assigned and the remaining fund balance as Unassigned, for the years ending December 31, 2017 and 2016, respectively. The Township also improperly reported the Road and Bridge Fund balances, which derived its property tax revenue from inside millage, as Restricted rather than as Committed fund balance, in the amounts of \$83,275 and \$64,078, for the years ended December 31, 2017 and 2016, respectively.

We also identified additional misstatements that we have brought to the Township's attention. Adjustments, with which management has agreed, are reflected in the accompanying financial statements and have been posted to the accounting system of the Township to correct these errors. Failure to properly classify fund balances and receipts on the financial statements could result in the financial statements being misleading.

The Fiscal Officer should refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's accounting system and annual financial report to ensure the Township's year-end financial statements reflect the appropriate sources, uses, and classification of the Township's receipts, disbursements, and fund balances.

FINDING NUMBER 2017-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. In addition, Ohio Rev. Code § 5705.40 states any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. Furthermore, Ohio Rev. Code § 5705.41(B) states no subdivision is to expend money unless it has been appropriated.

The Township filed its permanent appropriations with the County Auditor on May 2, 2017 and June 13, 2016 for 2017 and 2016, respectively, which is past the required deadline as specified above. We also noted no evidence in the minutes documenting the approval from the Board of Trustees for six intra-fund transfers, ranging from \$20 to \$1,000, in 2017, and 12 intra-fund transfers, ranging from \$1 to \$3,000 in 2016.

The failure to properly approve Township appropriations and subsequent amendments could result in deficit fund balances or monies being spent on purposes other than those intended by the Board.

On or about the first day of each fiscal year, the Board of Trustees should pass a temporary appropriation measure for meeting the ordinary expenses of the Township until the permanent measure is adopted prior to April 1. We further recommend the adoption of this measure, and any subsequent amendments, be documented in the minutes and filed with the County Budget Commission.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-003

Noncompliance

Ohio Rev. Code § 5705.39 states that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

In 2016, the Township appropriated \$14,248 more than total estimated resource in the General Bond Retirement Funds. The practice of allowing appropriations to exceed estimated resources could lead to expenditures being made for which the Township does not have adequate funds available, thus leading to deficit fund balances.

The Township should closely monitor appropriations to ensure that appropriations do not exceed estimated resources at any time throughout the year.

FINDING NUMBER 2017-004

Material Weakness

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations and/or amendments thereof approved by the Board were not properly posted to the accounting system. Appropriations posted to the Township's ledgers did not agree to the amounts approved by the Board of Trustees for the year ended December 31, 2016 in the General Fund. Appropriations adopted by the Board of Trustees equaled \$50,605 whereas appropriations posted to the Township's accounting system equaled \$58,605.

Additionally, the approved Certificate of Estimated Resources and/or amendments thereof was not properly posted to the accounting system for the year ended December 31, 2016. Estimated receipts in the Township's ledgers did not agree to the amounts as noted on the Township's Amended Official Certificate of Estimated Resources for the General Note Retirement Funds. Estimated receipts from the Township's amended certificate equaled \$16,607 whereas estimated receipts posted to the Township's accounting system equaled \$35,655.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-004 (Continued)

Material Weakness (Continued)

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the notes to the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response: We did not receive a response from Officials to the above findings.

Jefferson Township
Muskingum County
1595 Main Street
Dresden, Ohio 43821

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code §5705.38 – Appropriations not passed by required date and ORC 5705.41 B expenditures exceeding appropriations	Uncorrected	Working on correcting
2015-002	Ohio Admin. Code § 117-2-02(A) – Maintain a correct and accurate accounting system	Uncorrected	Working on correcting
2015-003	Material Weakness	Unsure	

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Dave Yost • Auditor of State

JEFFERSON TOWNSHIP

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 27, 2018**