



OHIO AUDITOR OF STATE
KEITH FABER



WELLINGTON TOWNSHIP
LORAIN COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Wellington Township
Lorain County
105 Maple Street
P.O. Box 425
Wellington, Ohio 44090

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 Wellington Township, Lorain 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no 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 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our 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 Wellington Township, Lorain County, Ohio, as of December 31, 2017 and 2016, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2020, 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.



Keith Faber
Auditor of State

Columbus, Ohio

May 15, 2020

Wellington Township
Lorain County
Combined Statement of Receipts, Disbursements and
Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$70,568	\$291,253	\$361,821
Licenses, Permits and Fees	2,651		2,651
Intergovernmental	41,748	127,702	169,450
Miscellaneous	3,269	4,376	7,645
<i>Total Cash Receipts</i>	<u>118,236</u>	<u>423,331</u>	<u>541,567</u>
Cash Disbursements:			
Current Disbursements:			
General Government	84,740	209,688	294,428
Public Works		170,061	170,061
Health	13,024		13,024
Capital Outlay		15,700	15,700
<i>Total Cash Disbursements</i>	<u>97,764</u>	<u>395,449</u>	<u>493,213</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>20,472</u>	<u>27,882</u>	<u>48,354</u>
Other Financing Receipts (Disbursements):			
Other Financing Uses	(3,016)		(3,016)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,016)</u>		<u>(3,016)</u>
<i>Net Change in Fund Cash Balance</i>	17,456	27,882	45,338
<i>Fund Cash Balances, January 1</i>	<u>31,541</u>	<u>90,893</u>	<u>122,434</u>
Fund Cash Balances, December 31			
Restricted		118,775	118,775
Assigned	47,027		47,027
Unassigned	1,970		1,970
<i>Fund Cash Balances, December 31</i>	<u>\$48,997</u>	<u>\$118,775</u>	<u>\$167,772</u>

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

Wellington Township
Lorain County
Statement of Receipts, Disbursements and
Changes in Fund Balance (Regulatory Cash Basis)
Agency Fund
For the Year Ended December 31, 2017

	<u>Agency</u>
<i>Fund Cash Balances, January 1</i>	<u>\$10</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$10</u></u>

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

Wellington Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Wellington Township, Lorain County, Ohio, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services and maintenance of Township roads and bridges. The Township's police protection is provided by the Lorain County Sheriff. The Township is a member of the Wellington Community Fire District which provides fire services and the South Lorain County Ambulance District which provides ambulance services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in jointly governed organizations and a public entity risk pool. Notes 6 and 9 to the financial statements provide additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

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

Motor Vehicle License Tax Fund This fund receives license plate fee money to pay for constructing, maintaining, and repairing Township roads.

Library Fund This fund receives property tax money which is passed through to Herrick Memorial Library.

Wellington Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Fiduciary Funds 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 Township's own programs. Agency funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Township's agency fund accounts for a portion of insurance monies from structures sustaining fire damage to ensure resident or business performs the necessary structural repairs.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except agency funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and 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.

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.

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.

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.

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.

Wellington Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

Fund Balance

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

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

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$110,932	\$118,236	\$7,304
Special Revenue	416,593	423,331	6,738
Total	\$527,525	\$541,567	\$14,042

Wellington Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$137,801	\$101,747	\$36,054
Special Revenue	502,647	395,991	106,656
Total	\$640,448	\$497,738	\$142,710

Note 4 – Deposits and Investments

The Township 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:

	2017
Demand deposits	\$167,782

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool. The Township has no investments.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Note 6 – Risk Management

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

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

Wellington Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Risk Management (Continued)

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

Assets	\$40,010,732
Liabilities	8,675,465
Net Position	<u>\$31,335,267</u>

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

2017 Contributions to OTARMA

\$8,712

Wellington Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Risk Management (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 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 percent during calendar year 2017.

Note 9 – Jointly Governed Organizations

South Lorain County Ambulance District

The Ambulance District is organized pursuant to Ohio Rev. Code Section 505.71 and is directed by an appointed seven-member Board of Trustees representing the Village of Wellington, and Wellington, Huntington, Penfield, Rochester, Brighton, and Pittsfield Townships. The Ambulance District provides emergency medical services to the residents within the Ambulance District which includes the Township.

Wellington Union Cemetery

The Cemetery is a union cemetery organized pursuant to Ohio Rev. Code Section 759.27 and is directed by an appointed three-member Board of Trustees representing the Village of Wellington and Wellington Township. The Cemetery provides for the sale of burial lots, grave openings and closings, and the perpetual care of graves to residents of the Village and Township. The Cemetery operates and maintains the West Herrick Cemetery and Greenwood Cemetery, both located in the Village of Wellington.

Wellington Community Fire District

The Fire District is organized pursuant to Ohio Rev. Code Section 505.371 and is directed by an appointed six-member Board of Trustees representing the Village of Wellington and Wellington, Huntington, Penfield, Brighton, and Pittsfield Townships. The Fire District provides fire protection and rescue services within the Fire District which includes the Township.

Wellington Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Jointly Governed Organizations (Continued)

Lorain County Rural Water Authority

The Rural Lorain County Water Authority, a regional water district, is a political subdivision of the State of Ohio created by order of the Lorain County Common Pleas Court. The Authority was declared by the Court, on August 23, 1973 to be a duly organized regional water district, a political subdivision of the State of Ohio organized pursuant to Chapter 6119 of the Ohio Revised Code. The Authority operates under a Board of Trustees, which consists of as many members as equals the total number of villages and townships within this regional water district

Lorain County Rural Wastewater District (LORCO)

LORCO is a wastewater district organized pursuant to Ohio Rev. Code Section 6119 and is directed by a Board of Trustees representing one each of the 13 township and three village members. LORCO was organized to provide wastewater treatment services to its members and has applied to the appropriate authorities for recognition as a Designated Management Agency under Section 208 of the Clean Water Act.

South Lorain County Historical Society

The Historical Society is organized pursuant to Ohio Rev. Code Section 307.23 and is directed by an appointed Board of Directors. The Historical Society operates the Spirit of '76 Museum which is located in the Village of Wellington.

Herrick Memorial Library

The Herrick Memorial Library is organized pursuant to Ohio Rev. Code Sections 3375.33 to 3375.39 and is directed by an appointed Board of Trustees of three members who are appointed by the Wellington Township Trustees. The Library is fiscally independent of Wellington Township, although the Township serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Township must put levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Township.

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Wellington Township
Lorain County
Combined Statement of Receipts, Disbursements and
Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$69,386	\$282,748	\$352,134
Licenses, Permits and Fees	1,528		1,528
Intergovernmental	43,061	126,721	169,782
Miscellaneous	814	650	1,464
<i>Total Cash Receipts</i>	<u>114,789</u>	<u>410,119</u>	<u>524,908</u>
Cash Disbursements:			
Current Disbursements:			
General Government	78,383	199,004	277,387
Public Works		168,313	168,313
Health	12,758		12,758
Capital Outlay		74,100	74,100
<i>Total Cash Disbursements</i>	<u>91,141</u>	<u>441,417</u>	<u>532,558</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>23,648</u>	<u>(31,298)</u>	<u>(7,650)</u>
Other Financing Receipts (Disbursements):			
Other Financing Uses	(4,827)	(44,928)	(49,755)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(4,827)</u>	<u>(44,928)</u>	<u>(49,755)</u>
<i>Net Change in Fund Cash Balance</i>	18,821	(76,226)	(57,405)
<i>Fund Cash Balances, January 1</i>	<u>12,720</u>	<u>167,119</u>	<u>179,839</u>
Fund Cash Balances, December 31			
Restricted		90,893	90,893
Assigned	26,869		26,869
Unassigned	4,672		4,672
<i>Fund Cash Balances, December 31</i>	<u>\$31,541</u>	<u>\$90,893</u>	<u>\$122,434</u>

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

Wellington Township
 Lorain County
 Statement of Receipts, Disbursements and
 Changes in Fund Balance (Regulatory Cash Basis)
 Agency Fund
 For the Year Ended December 31, 2016

	Agency
Non-Operating Receipts (Disbursements):	
Other Financing Uses	(\$28,000)
<i>Net Change in Fund Cash Balances</i>	(28,000)
<i>Fund Cash Balances, January 1</i>	28,010
<i>Fund Cash Balances, December 31</i>	\$10

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

Wellington Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Wellington Township, Lorain County, Ohio, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services and maintenance of Township roads and bridges. The Township's police protection is provided by the Lorain County Sheriff. The Township is a member of the Wellington Community Fire District which provides fire services and the South Lorain County Ambulance District which provides ambulance services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in jointly governed organizations and a public entity risk pool. Notes 6 and 9 to the financial statements provide additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

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

Motor Vehicle License Tax Fund This fund receives license plate fee money to pay for constructing, maintaining, and repairing Township roads.

Library Fund This fund receives property tax money which is passed through to Herrick Memorial Library.

Wellington Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Fiduciary Funds 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 Township's own programs. Agency funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Township's agency fund accounts for a portion of insurance monies from structures sustaining fire damage to ensure resident or business performs the necessary structural repairs.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except agency funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and 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.

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.

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.

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.

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.

Wellington Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

Fund Balance

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

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

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$110,810	\$114,789	\$3,979
Special Revenue	421,967	410,119	(11,848)
Total	\$532,777	\$524,908	(\$7,869)

Wellington Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 – Budgetary Activity (Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$121,485	\$95,968	\$25,517
Special Revenue	565,056	486,345	78,711
Total	\$686,541	\$582,313	\$104,228

Note 4 – Deposits and Investments

The Township 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:

	2016
Demand deposits	\$122,444

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool. The Township has no investments.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Note 6 – Risk Management

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

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

Wellington Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – Risk Management (Continued)

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

Casualty and Property Coverage

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

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

Financial Position

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

Assets	\$38,473,283
Liabilities	8,244,140
Net Position	<u>\$30,229,143</u>

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

2016 Contributions to OTARMA

\$9,090

Wellington Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – Risk Management (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 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 2 percent during calendar year 2016.

Note 9 – Jointly Governed Organizations

South Lorain County Ambulance District

The Ambulance District is organized pursuant to Ohio Rev. Code Section 505.71 and is directed by an appointed seven-member Board of Trustees representing the Village of Wellington, and Wellington, Huntington, Penfield, Rochester, Brighton, and Pittsfield Townships. The Ambulance District provides emergency medical services to the residents within the Ambulance District which includes the Township.

Wellington Union Cemetery

The Cemetery is a union cemetery organized pursuant to Ohio Rev. Code Section 759.27 and is directed by an appointed three-member Board of Trustees representing the Village of Wellington and Wellington Township. The Cemetery provides for the sale of burial lots, grave openings and closings, and the perpetual care of graves to residents of the Village and Township. The Cemetery operates and maintains the West Herrick Cemetery and Greenwood Cemetery, both located in the Village of Wellington.

Wellington Community Fire District

The Fire District is organized pursuant to Ohio Rev. Code Section 505.371 and is directed by an appointed six-member Board of Trustees representing the Village of Wellington and Wellington, Huntington, Penfield, Brighton, and Pittsfield Townships. The Fire District provides fire protection and rescue services within the Fire District which includes the Township.

Wellington Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Jointly Governed Organizations (Continued)

Lorain County Rural Water Authority

The Rural Lorain County Water Authority, a regional water district, is a political subdivision of the State of Ohio created by order of the Lorain County Common Pleas Court. The Authority was declared by the Court, on August 23, 1973 to be a duly organized regional water district, a political subdivision of the State of Ohio organized pursuant to Chapter 6119 of the Ohio Revised Code. The Authority operates under a Board of Trustees, which consists of as many members as equals the total number of villages and townships within this regional water district

Lorain County Rural Wastewater District (LORCO)

LORCO is a wastewater district organized pursuant to Ohio Rev. Code Section 6119 and is directed by a Board of Trustees representing one each of the 13 township and three village members. LORCO was organized to provide wastewater treatment services to its members and has applied to the appropriate authorities for recognition as a Designated Management Agency under Section 208 of the Clean Water Act.

South Lorain County Historical Society

The Historical Society is organized pursuant to Ohio Rev. Code Section 307.23 and is directed by an appointed Board of Directors. The Historical Society operates the Spirit of '76 Museum which is located in the Village of Wellington.

Herrick Memorial Library

The Herrick Memorial Library is organized pursuant to Ohio Rev. Code Sections 3375.33 to 3375.39 and is directed by an appointed Board of Trustees of three members who are appointed by the Wellington Township Trustees. The Library is fiscally independent of Wellington Township, although the Township serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Township must put levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Township.

Note 10 – Repayment of Estate Taxes

In 2012, the Township received \$153,555 in estate tax money from the Lorain County Auditor. In 2014, the Lorain County Auditor contacted the Township and indicated the estate tax was paid to the Township in error and should have gone to Pittsfield Township and Danbury Township (Ottawa County) instead. The Lorain County Auditor asked the Township to repay the estate tax money. Based on the large estate tax receipt, the Township made a decision to build a service garage and township hall out of the general fund. Therefore, the Township did not have the estate tax money in the general fund to repay the error. Based on a legal opinion from the County Prosecutor, the Township determined it appropriate to repay \$3,954 from the general fund, \$59,203 from the Gasoline Tax Fund, and \$36,843 from the Road and Bridge Fund during 2015 based on the total cost of the building and the respective percentages that could have been charged to the Gasoline Tax and Road and Bridge funds. The remaining amount was paid back in 2016.

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OHIO AUDITOR OF STATE KEITH FABER



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

Wellington Township
Lorain County
105 Maple Street
P.O. Box 425
Wellington, Ohio 44090

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 Wellington Township, Lorain 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 May 15, 2020 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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 and 2017-002 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Township's responses to the auditing procedures applied in the audit of the financial statements 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 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.



Keith Faber
Auditor of State

Columbus, Ohio

May 15, 2020

**WELLINGTON TOWNSHIP
LORAIN COUNTY**

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

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

FINDING NUMBER 2017-001

Material Weakness – Bank Reconciliations

Sound accounting practices require that when designing the public office’s system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board is responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not prepared or reviewed each month of 2017 and 2016. As a result, interest and intergovernmental revenue in the General Fund were understated by \$89 and \$65, respectively, and general government and public works expenditures were understated by \$1,690 and \$375, respectively, for 2017. Interest revenue and general government expenditures in the General Fund were understated by \$93 and \$2,573, respectively, for 2016. These errors were due to unrecorded activity. Additionally, the Township had an unreconciled variance of \$941 as of December 31, 2017.

Failure to reconcile monthly increases the possibility that the Township will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials’ Response: The Township acknowledges the finding and has worked or is working to correct it.

FINDING NUMBER 2017-002

Material Weakness – Financial Statement Adjustments

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 & .A16.

The following financial statement errors were identified and adjusted to the financial statements by management:

- Other financing sources in the Agency Fund were overstated by \$2,470 and intergovernmental receipts and miscellaneous receipts in the General Fund were understate by \$1,132 and \$838, respectively. Additionally, miscellaneous receipts in the Special Revenue Funds was understated by \$500. These errors were due to certain receipts improperly posted to the Agency Fund.
- For 2017 and 2016, property and other local taxes in the Special Revenue Funds were overstated by \$17,601 and \$29,507, respectively, and intergovernmental receipts in the Special Revenue Funds were understated by equal amounts due to homestead and rollback receipts being reported as property and other local taxes instead of intergovernmental receipts.
- For 2017, property and other local taxes in the General Fund were overstated by \$2,600 and intergovernmental receipts and general government disbursements were understated by \$6,452 and \$3,852. Property and other local taxes, public works disbursements and general government disbursements were each understated in the Special Revenue Funds by \$4,553, \$1,025, and \$3,528, respectively. These errors were due to homestead and rollback receipts being reported as property and other local taxes instead of intergovernmental receipts and certain receipts being posted net of related disbursements rather than at total distribution.
- For 2016, property and other local taxes, intergovernmental receipts, and general government disbursements in the General Fund were understated by \$149, \$5,161, and \$5,310, respectively. Property and other local taxes, public works disbursements and general government disbursements were each understated in the Special Revenue Funds by \$1,906, \$1,105, and \$801, respectively. These errors were due to homestead and rollback receipts being reported as property and other local taxes instead of intergovernmental receipts and certain receipts being posted net of related disbursements rather than at total distribution.

Failure to accurately report financial transactions could lead to material financial statement misstatements in the future.

The Township should use due care when posting receipts and disbursements to the UAN system, which ultimately generates the year-end financial statements to ensure the financial statements are accurate and complete

Officials' Response: The Township acknowledges the finding and has worked or is working to correct it.

WELLINGTON TOWNSHIP

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BOARD OF TRUSTEES

Leroy Brasee
Nancy Fisher
Fred Pitts

LORAIN COUNTY OHIO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Significant Deficiency – Bank Reconciliation Certain amounts included on the December 31, 2014 bank reconciliation were not supported by adequate documentation.	Not Corrected	A similar comment is repeated in the Schedule of Findings. The Township corrected reconciliation issues in 2018 and reconciles at December 31, 2018.

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OHIO AUDITOR OF STATE KEITH FABER



WELLINGTON TOWNSHIP

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 9, 2020**