



Dave Yost • Auditor of State



VILLAGE OF RAYLAND  
JEFFERSON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Rayland  
Jefferson County  
P.O. Box 188  
Rayland, Ohio 43943

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Rayland, Jefferson County, (the Village) 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 Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code 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, to satisfy these requirements.

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

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code 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 Village 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 the Village of Rayland, Jefferson County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2018 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 10, 2018

**VILLAGE OF RAYLAND  
JEFFERSON 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	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$20,961	\$1,795	\$22,756
Intergovernmental	18,487	23,661	42,148
Charges for Services	3,438		3,438
Fines, Licenses and Permits	3,006		3,006
Miscellaneous	7,200		7,200
<i>Total Cash Receipts</i>	<u>53,092</u>	<u>25,456</u>	<u>78,548</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	8,881	7,137	16,018
Public Health Services	817		817
Leisure Time Activities	24,884		24,884
Transportation		15,778	15,778
General Government	24,225		24,225
Capital Outlay	16,003		16,003
<i>Total Cash Disbursements</i>	<u>74,810</u>	<u>22,915</u>	<u>97,725</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(21,718)</u>	<u>2,541</u>	<u>(19,177)</u>
<i>Fund Cash Balances, January 1</i>	<u>85,331</u>	<u>24,030</u>	<u>109,361</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	26,571	26,571
Assigned	52,014	0	52,014
Unassigned (Deficit)	11,599	0	11,599
<i>Fund Cash Balances, December 31</i>	<u>\$ 63,613</u>	<u>\$ 26,571</u>	<u>\$ 90,184</u>

*See accompanying notes to the basic financial statements*

**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$118,971
<i>Total Operating Cash Receipts</i>	118,971
<b>Operating Cash Disbursements</b>	
Personal Services	12,568
Employee Fringe Benefits	1,833
Contractual Services	87,550
Supplies and Materials	1,222
Other	806
<i>Total Operating Cash Disbursements</i>	103,979
<i>Operating Income</i>	14,992
<b>Non-Operating (Disbursements)</b>	
Principal Retirement	(9,569)
Interest and Other Fiscal Charges	(2,590)
<i>Total Non-Operating (Disbursements)</i>	(12,159)
<i>Net Change in Fund Cash Balance</i>	2,833
<i>Fund Cash Balance, January 1</i>	54,643
<i>Fund Cash Balance, December 31</i>	\$ 57,476

*See accompanying notes to the basic financial statements*



**VILLAGE OF RAYLAND  
JEFFERSON 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 the Village of Rayland, Jefferson County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, sanitation, and street light utilities, park operations, and police services. The Village contracts with the Rayland Volunteer Fire Department to receive fire protection services.

The Village participates in the Ohio Municipal Joint Self-Insurance Pool public entity risk pool, a risk-sharing pool available to Ohio local Villages. The Pool provides property, liability, and casualty coverage for its members. Note 6 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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**

The Village'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.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund includes, but is not limited to, general government operations, police operations, fire protection, and recreational parks.

**2. Special Revenue Funds**

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

**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

State Highway Fund – This fund receives gasoline tax and motor vehicle tax money for maintaining state roads than run through the village.

Permissive Motor Vehicle License Tax Fund – This fund receives locally levied permissive tax money for constructing, maintaining, and repairing Village streets.

**3. Capital Project Fund**

Sewer Project Fund - This fund received proceeds of Ohio Pubic Works Commission (OPWC) grant. The proceeds are being used to construct a Sanitary Sewer and Pump Station.

**4. Enterprise Funds**

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

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

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Sanitation Fund - This fund receives charges for service from residents to cover garbage collection costs.

Street Lighting Fund – This fund receives charges for services from residents to cover street lighting costs.

**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 Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

VILLAGE OF RAYLAND  
JEFFERSON COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

F. Fund Balance

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

1. Nonspendable

The Village 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 Villages; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends 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*. Village funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

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

**2. COMPLIANCE**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire Equipment fund by \$7,137 for the year ended December 31, 2017.

**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	\$50,500	\$53,092	\$2,592
Special Revenue	18,900	25,456	6,556
Enterprise	133,300	118,971	(14,329)
Total	202,700	197,519	(5,181)

**2017 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,329	\$74,810	\$27,519
Special Revenue	\$42,790	\$22,915	\$19,875
Enterprise	\$184,700	\$116,138	\$68,562
Total	\$329,819	\$213,863	\$115,956

**4. DEPOSITS AND INVESTMENTS**

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was \$147,660 – all demand deposits.

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

**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County in February or March. If the property owner elects to pay semiannually, the first half is due at the beginning of March. The second half payment is due the following July.

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

**6. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2017, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and accumulated surplus at March 31, 2017.

Assets	\$1,091,882
Liabilities	<u>(757,765)</u>
Accumulated Surplus	<u>\$334,117</u>

**7. DEFINED BENEFIT PENSION PLANS**

**Ohio Public Employees Retirement System**

Village 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 Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

**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 benefits recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and 1.0 percent during calendar year 2017.

**9. DEBT**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #4635	\$36,062	3.82%
Ohio Water Development Authority Loan #5286	147,243	0.00%
Ohio Water Development Authority Loan #6931	128,949	2.74%
Ohio Public Works Commission Loan CT48/49R	92,150	0.00%
Total	\$404,404	

The Ohio Water Development Authority (OWDA) loan #4635 relates to the Tiltonsville waste water treatment plant improvements project approved in 2007. The Village will repay the loan in semiannual installments of \$2,281, including interest, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #5286 relates to a water main replacement project approved in 2009. The Village will repay the loan in semiannual installments of \$3,272 over 30 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #6931 relates to a sewer pump station and sewer line replacement project approved in 2014 and completed in 2016. The Village will repay the loan in semi-annual installments that total \$6,521 per year over 30 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan CT48/49R also relates to the aforementioned sewer pump station and sewer line replacement project approved in 2014 and completed in 2016. The Village will repay the loan in semi-annual installments of \$1,589 over 30 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**VILLAGE OF RAYLAND  
JEFFERSON 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	OWDA Loan #4635	OWDA Loan #5286	OWDA Loan #6931	OPWC Loan CT48/49R
2018	\$4,562	\$6,544	\$6,521	\$3,177
2019	4,562	6,544	\$6,521	\$3,178
2020	4,562	6,544	\$6,521	\$3,177
2021	4,562	6,544	\$6,521	\$3,178
2022	4,562	6,544	\$6,521	\$3,177
2023-2027	20,529	32,721	\$32,605	\$15,888
2028-2032		32,721	\$32,605	\$15,888
2033-2037		32,721	\$32,605	\$15,888
2038-2042		16,360	\$32,605	\$15,888
2043-2046			\$22,824	\$12,711
Total	\$43,339	\$147,243	\$185,849	\$92,150

**10. CONTINGENT LIABILITIES**

The Village is currently involved in litigation. The Village filed suit against a utility customer in small claims court to attempt to collect an unpaid utility bill. The utility customer countersued the Village. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially affect the Village's financial condition. An attorney from the Village's insurance carrier, the Ohio Municipal Joint Self-Insurance Pool, is the lead attorney on the case. The Village has already met its insurance deductible for the case, and any further costs, if incurred, are expected to be covered by insurance.

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**VILLAGE OF RAYLAND  
JEFFERSON 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	Capital Project	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$20,210	\$1,798		\$22,008
Intergovernmental	35,168	16,530	\$ 28,766	80,464
Charges for Services	3,584			3,584
Fines, Licenses and Permits	2,405			2,405
Miscellaneous	28,517	2,434		30,951
<i>Total Cash Receipts</i>	<u>89,884</u>	<u>20,762</u>	<u>28,766</u>	<u>139,412</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	6,838	67		6,905
Public Health Services	914			914
Leisure Time Activities	18,139			18,139
Basic Utility Services	100			100
Transportation		23,776		23,776
General Government	38,571	597		39,168
Capital Outlay	19,130	3,666	28,766	51,562
<i>Total Cash Disbursements</i>	<u>83,692</u>	<u>28,106</u>	<u>28,766</u>	<u>140,564</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>6,192</u>	<u>(7,344)</u>	<u>-</u>	<u>(1,152)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	-	400	-	400
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>400</u>	<u>-</u>	<u>400</u>
<i>Net Change in Fund Cash Balances</i>	6,192	(6,944)	-	(752)
<i>Fund Cash Balances, January 1</i>	<u>79,139</u>	<u>30,974</u>	<u>-</u>	<u>110,113</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	24,030	-	24,030
Assigned	51,829	-	-	51,829
Unassigned (Deficit)	33,502	-	-	33,502
<i>Fund Cash Balances, December 31</i>	<u>\$ 85,331</u>	<u>\$ 24,030</u>	<u>\$ -</u>	<u>\$ 109,361</u>

See accompanying notes to the basic financial statements

**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$125,048
<i>Total Operating Cash Receipts</i>	125,048
<b>Operating Cash Disbursements</b>	
Personal Services	11,289
Employee Fringe Benefits	1,722
Contractual Services	74,105
Supplies and Materials	1,049
Other	6,813
<i>Total Operating Cash Disbursements</i>	94,978
<i>Operating Income</i>	30,070
<b>Non-Operating Receipts (Disbursements)</b>	
Other Debt Proceeds	197,311
Capital Outlay	(199,691)
Principal Retirement	(11,874)
Interest and Other Fiscal Charges	(5,330)
<i>Total Non-Operating Receipts (Disbursements)</i>	(19,584)
<i>Net Change in Cash Fund Balance</i>	10,486
<i>Fund Cash Balance, January 1</i>	44,157
<i>Fund Cash Balance, December 31</i>	\$ 54,643

*See accompanying notes to the basic financial statements*

**VILLAGE OF RAYLAND  
JEFFERSON 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 the Village of Rayland, Jefferson County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, sanitation, and street light utilities, park operations, and police services. The Village contracts with the Rayland Volunteer Fire Department to receive fire protection services.

The Village participates in the Ohio Municipal Joint Self-Insurance Pool public entity risk pool, a risk-sharing pool available to Ohio local Villages. The Pool provides property, liability, and casualty coverage for its members. Note 5 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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**

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**D. Fund Accounting**

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**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund includes, but is not limited to, general government operations, police operations, fire protection, and recreational parks.

**2. Special Revenue Funds**

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

**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

State Highway Fund – This fund receives gasoline tax and motor vehicle tax money for maintaining state roads than run through the village.

Permissive Motor Vehicle License Tax Fund – This fund receives locally levied permissive tax money for constructing, maintaining, and repairing Village streets.

**3. Capital Project Fund**

Sewer Project Fund - This fund received proceeds of Ohio Pubic Works Commission (OPWC) grant. The proceeds are being used to construct a Sanitary Sewer and Pump Station.

**4. Enterprise Funds**

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

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

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Sanitation Fund - This fund receives charges for service from residents to cover garbage collection costs.

Street Lighting Fund – This fund receives charges for services from residents to cover street lighting costs.

**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 Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

VILLAGE OF RAYLAND  
JEFFERSON COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

F. Fund Balance

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

1. Nonspendable

The Village 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 Villages; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends 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*. Village funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**G. Property, Plant, and Equipment**

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

**2. 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	\$55,604	\$89,884	\$34,280
Special Revenue	\$18,900	\$21,162	\$2,262
Capital Project	\$28,767	\$28,766	(\$1)
Enterprise	\$350,419	\$322,359	(\$28,060)
Total	\$453,690	\$462,171	\$8,479

**2016 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$106,056	\$83,692	\$22,364
Special Revenue	\$43,960	\$28,106	\$15,584
Sewer Project	\$28,767	\$28,766	\$1
Enterprise	\$379,799	\$311,873	\$67,926
Total	\$558,582	\$452,437	\$106,145

**3. DEPOSITS AND INVESTMENTS**

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was \$164,004 – all demand deposits.

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

**VILLAGE OF RAYLAND  
JEFFERSON 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 Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County in February or March. If the property owner elects to pay semiannually, the first half is due at the beginning of March. The second half payment is due the following July.

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

**5. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2106, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and accumulated surplus at March 31, 2016.

Assets	\$1,272,799
Liabilities	<u>(821,016)</u>
Accumulated Surplus	<u>\$451,783</u>

**6. DEFINED BENEFIT PENSION PLANS**

**Ohio Public Employees Retirement System**

Village 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 Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

**7. 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 benefits recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and 1.0 percent during calendar year 2017.

**8. DEBT**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #4635	\$37,624	3.82%
Ohio Water Development Authority Loan #5286	150,515	0.00%
Ohio Water Development Authority Loan #6931	130,506	2.74%
Ohio Public Works Commission Loan CT48/49R	95,328	0.00%
Total	\$413,973	

The Ohio Water Development Authority (OWDA) loan #4635 relates to the Tiltonsville waste water treatment plant improvements project approved in 2007. The Village will repay the loan in semiannual installments of \$2,281, including interest, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #5286 relates to a water main replacement project approved in 2009. The Village will repay the loan in semiannual installments of \$3,272 over 30 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #6931 relates to a sewer pump station and sewer line replacement project approved in 2014 and completed in 2016. The Village will repay the loan in semi-annual installments that total \$6,521 per year over 30 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan CT48/49R also relates to the aforementioned sewer pump station and sewer line replacement project approved in 2014 and completed in 2016. The Village will repay the loan in semi-annual installments of \$1,589 over 30 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

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



**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

**8. DEBT (Continued)**

Year ending December 31	OWDA Loan #4635	OWDA Loan #5286	OWDA Loan #6931	OPWC Loan CT48/49R
2017	\$4,562	\$6,544	\$6,521	\$3,178
2018	4,562	6,544	\$6,521	\$3,177
2019	4,562	6,544	\$6,521	\$3,178
2020	4,562	6,544	\$6,521	\$3,177
2021	4,562	6,544	\$6,521	\$3,178
2022-2026	22,810	32,721	\$32,605	\$15,888
2027-2031	2,281	32,721	\$32,605	\$15,888
2032-2036		32,721	\$32,605	\$15,888
2037-2041		19,632	\$32,605	\$15,888
2042-2046			\$29,346	\$15,888
Total	\$47,901	\$150,515	\$192,371	\$95,328

**9. CONTINGENT LIABILITIES**

The Village is currently involved in litigation. The Village filed suit against a utility customer in small claims court to attempt to collect an unpaid utility bill. The utility customer countersued the Village. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially affect the Village's financial condition. An attorney from the Village's insurance carrier, the Ohio Municipal Joint Self-Insurance Pool, is the lead attorney on the case. The Village has already met its insurance deductible for the case, and any further costs, if incurred, are expected to be covered by insurance.

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# Dave Yost • Auditor of State

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

Village of Rayland  
Jefferson County  
P.O. Box 188  
Rayland, Ohio 43943

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Rayland, Jefferson County, (the Village) 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 September 10, 2018 wherein we noted the Village 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 Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

***Purpose of this Report***

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

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

September 10, 2018

**VILLAGE OF RAYLAND  
JEFFERSON 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**

**Disbursements Exceeded Appropriations**

**Material Noncompliance**

**Ohio Revised Code § 5705.41(B)** prohibits a subdivision or taxing unit from spending money unless it has been properly appropriated.

At December 31, 2017, disbursements plus encumbrances exceeded appropriations in the Fire Equipment Special Revenue Fund by \$7,137 (100%).

The Village did not have procedures in place to limit disbursements to the available appropriations. Failure to limit disbursements to the amount of appropriations could result in overspending and negative cash balances.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer should request Council to approve increased disbursement levels by increasing appropriations in the minutes and amending estimated resources, if necessary and available.

**Finding Number 2017-002**

**Accurate Posting of Transactions**

**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 & .A16.

Sound financial reporting is the responsibility of the Fiscal Officer and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Fiscal Officer did not abide by the adopted chart of account in coding and classifying various transactions in 2017 and 2016. This resulted in adjustments and reclassifications to the financial statements; other items were not material to adjust. The Village Fiscal Officer and management have agreed to and posted the adjustments to the Village's accounting records. The corrected amounts are reflected in the accompanying financial statements.

**2017 Reclassifications:**

<b>Fund</b>	<b>Reclassified from:</b>	<b>Amount</b>	<b>Reclassified to:</b>
General	General Government Expense	\$15,750	Capital Outlay
General	Unassigned Fund Balance	52,014	Assigned Fund Balance

**Finding Number 2017-002**  
 (Continued)

**2016 Adjustments:**

<b>Fund</b>	<b>Line Item</b>	<b>Amount</b>
Sewer	Other Debt Proceeds	\$28,092
Sewer	Capital Outlay Expense	28,092

**2016 Reclassifications:**

<b>Fund</b>	<b>Reclassified from:</b>	<b>Amount</b>	<b>Reclassified to:</b>
General	Unassigned Fund Balance	\$51,829	Assigned Fund Balance
Street Special Revenue Fund	Intergovernmental Revenue	2,246	Miscellaneous Revenue

Other mispostings were identified, however they were not material and the Village decided not to make the adjustments.

The 2017 and 2016 Notes had the following errors:

- The Budgetary Activity was omitted, therefore budgeted versus actual receipts and expenditures and a variance were not completed;
- A debt note, including outstanding principal for each debt instrument, a description of each debt issue and a schedule of future debt payments was not completed;
- The risk pool membership note was not reflective of the shell; and
- The post-employment benefits note was omitted and the Defined Benefit Pension Plan was not reflective of the most current version of the villages note shell located on the Auditor of State's website.

The requested changes were provided to the Fiscal Officer who subsequently updated the Notes to the Financial Statements and provided a new version to audit.

The Village did not have procedures in place to record transactions properly.

Failure to consistently follow a uniform chart of accounts increases the possibility the Village will not be able to identify, assemble, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements.

The Fiscal Officer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the UAN chart of accounts to help ensure that financial activity of the Village is accurately recorded and reported.

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

# VILLAGE OF RAYLAND

Mayor's Office  
859-6278

195 MAIN STREET P.O. BOX 188  
RAYLAND, OHIO 43943

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Significant Deficiency – Fund Balance	Fully Corrected	Please read explanation below

### **FINDING NUMBER 2015-001, Significant Deficiency, Fund Balance**

The Village of Rayland classifies its fund balances in accordance with Governmental Accounting Standards Board Statement 54.

In both 2014 and 2015, the village classified small amounts of the General Fund as Restricted, which led to this Finding and the auditor's request to reclassify the amounts as Unassigned.

In both years, the village received grant money which could be spent only for the specific purposes stipulated by the external resource providers. In both years, the grant money was not spent before the end of the calendar year, and carried over to the subsequent year. It was the village's opinion that this restriction of the purpose of the monies necessitated the classification of such monies as Restricted. It would not have been appropriate for the village to use this money for any purpose other than that stipulated by the external resource providers. It was the village's opinion that this clearly aligned with the requirements of GASB 54.

However, the auditor issued Finding 2015-001, requesting that those restricted grant amounts be reclassified as Unassigned. While the village did not necessarily agree with this request, the village did not object and allowed the reclassification of the grant amounts from Restricted to Unassigned. It was and is the village's opinion that the classification of these monies would be immaterial to any external users of the village's financial statements, as the monies were properly included in the General Fund and this reclassification was merely an exercise moving the balances from one line of the General Fund to another line of the General Fund.

The village believes that this issue is fully corrected, based on the following:

- The amounts in question were reassigned, as requested by the auditor.
- The finding is no longer valid, as the grant money has subsequently been spent.
- The finding no longer warrants further action, because the village makes a conscious effort to classify its fund balances in accordance with GASB 54.

It is the village's policy to classify its fund balances in accordance with Governmental Accounting Standards Board Statement 54. It is the village's opinion that the village did this in the case of Finding 2005-001; however, the village recognizes that the auditor had a different opinion. The village makes its best effort to comply with GASB 54, while also acknowledging that sometimes opinions differ and mistakes are made. It is the ultimate goal of the village to provide accurate information to all internal and external users of the village's financial statements.





# Dave Yost • Auditor of State

VILLAGE OF RAYLAND

JEFFERSON 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 8, 2018