

VILLAGE OF APPLE CREEK

WAYNE COUNTY

Regular Audit

For the Years Ended December 31, 2019 and 2018





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Village Council
Village of Apple Creek
PO Box 208
Apple Creek, Ohio 44606

We have reviewed the *Independent Auditor's Report* of the Village of Apple Creek, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Apple Creek is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

April 27, 2020

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Village of Apple Creek
Wayne County
 For the Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Village of Apple Creek
Wayne County
P.O. Box 208
Apple Creek, Ohio 44606

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 Apple Creek, Wayne County, (the Village) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating of the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 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 (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 determined, 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, 2019 and 2018, or changes in financial position or its cash flows 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 Apple Creek, Wayne County as of December 31, 2019 and 2018, 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 March 18, 2020, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.



Charles E. Harris & Associates, Inc.
March 18, 2020

Village of Apple Creek
Wayne County
Combined Statement of Receipts, Disbursements and Changes in
Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property and Other Local Taxes	\$ 49,601	\$ -	\$ 49,601
Municipal Income Tax	329,270	-	329,270
Intergovernmental	13,775	74,141	87,916
Charges for Services	-	6,645	6,645
Fines, Licenses and Permits	2,304	25	2,329
Earnings on Investments	13,880	383	14,263
Miscellaneous	61,750	2,164	63,914
<i>Total Cash Receipts</i>	470,580	83,358	553,938
Cash Disbursements			
Current:			
Security of Persons and Property	290,972	228	291,200
Leisure Time Activities	-	11,008	11,008
Transportation	-	125,873	125,873
General Government	98,456	-	98,456
Capital Outlay	10,140	18,860	29,000
<i>Total Cash Disbursements</i>	399,568	155,969	555,537
<i>Excess of Receipts Over (Under) Disbursements</i>	71,012	(72,611)	(1,599)
Other Financing Receipts (Disbursements)			
Transfers In	-	116,650	116,650
Transfers Out	(116,650)	-	(116,650)
Advances In	35,000	-	35,000
Other Financing Uses	(7,624)	-	(7,624)
<i>Total Other Financing Receipts (Disbursements)</i>	(89,274)	116,650	27,376
<i>Net Change in Fund Cash Balances</i>	(18,262)	44,039	25,777
<i>Fund Cash Balances, January 1</i>	579,297	35,388	614,685
Fund Cash Balances, December 31			
Nonspendable	340	-	340
Restricted	-	79,427	79,427
Assigned	97,443	-	97,443
Unassigned	463,252	-	463,252
<i>Fund Cash Balances, December 31</i>	<u>\$ 561,035</u>	<u>\$ 79,427</u>	<u>\$ 640,462</u>

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

Village of Apple Creek
Wayne County
Combined Statement of Receipts, Disbursements and Changes in
Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2019

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Custodial	
Operating Cash Receipts			
Charges for Services	\$ 499,646	\$ 1,580	\$ 501,226
Miscellaneous	1,040	-	1,040
<i>Total Operating Cash Receipts</i>	500,686	1,580	502,266
Operating Cash Disbursements			
Personal Services	51,466	-	51,466
Contractual Services	125,859	-	125,859
Other	63,343	-	63,343
<i>Total Operating Cash Disbursements</i>	240,668	-	240,668
<i>Operating Income (Loss)</i>	260,018	1,580	261,598
Non-Operating Receipts (Disbursements)			
Earnings on Investments	8,500	-	8,500
Capital Outlay	(695)	-	(695)
Principal Retirement	(133,295)	-	(133,295)
Interest and Other Fiscal Charges	(4,681)	-	(4,681)
Other Financing Sources	1,325	375	1,700
Other Financing Uses	(270)	(1,922)	(2,192)
<i>Total Non-Operating Receipts (Disbursements)</i>	(129,116)	(1,547)	(130,663)
<i>Income (Loss) before Advances</i>	130,902	33	130,935
Advances Out	(35,000)	-	(35,000)
<i>Net Change in Fund Cash Balances</i>	95,902	33	95,935
<i>Fund Cash Balances, January 1</i>	1,099,000	1,087	1,100,087
<i>Fund Cash Balances, December 31</i>	\$ 1,194,902	\$ 1,120	\$ 1,196,022

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

Village of Apple Creek
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Apple Creek, Wayne County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

Public Entity Risk Pool

The Village participates in jointly governed organizations and the Ohio Plan Risk Management, Inc., a public entity risk pool. 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.

Note 2 – Summary of Significant Accounting Policies

Accounting Basis

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

Deposits and Investments

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.

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:

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

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.

Street Construction, Maintenance and Repair Fund The street construction, maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for the purpose of construction, maintenance, and repair of streets within the Village.

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 Fund:

Village of Apple Creek
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

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

Fiduciary Funds Fiduciary funds include custodial funds. Custodial 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 Village's custodial funds account for monies received for trash bags provided by J&J Refuse, and deposits for park rentals.

Budgetary Process

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

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

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

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:

Nonspendable The Village 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 Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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 Village Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

Village of Apple Creek
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

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

Accumulated Leave In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The statements do not include a liability for unpaid leave.

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2019 follows:

2019 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 472,296	\$ 470,580	(\$1,716)
Special Revenue	234,000	200,008	(33,992)
Enterprise	493,200	510,511	17,311

2019 Budgeted vs Actual Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 562,550	\$ 523,842	\$38,708
Special Revenue	238,007	156,009	81,998
Enterprise	475,810	389,332	86,478

Note 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 at December 31 was as follows:

Demand deposits	2019 \$1,836,484
Total deposits	\$1,836,484

Village of Apple Creek
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Deposits and Investments (continued)

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Income Taxes

The Village levies a municipal income tax of 1% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Risk Management

Risk Pool Membership

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018 (the latest information available).

Village of Apple Creek
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 – Risk Management (continued)

member. OPRM had 774 members as of December 31, 2018 (the latest information available).

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

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

Health Insurance

The Village provides health insurance to all employees through Wayne County (County). The Village is invoiced their monthly premiums and the premiums are paid to the County. The employees pay 5% of the insurance bill. All risk transfers to the County.

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers Compensation a premium based on a rate of \$100 of salaries. This rate is calculated based on accident history and administrative cost.

Note 7 – Defined Benefit Pension Plans

The Village's has nine 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 2019, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

The Village's has 3 full time police employees belong to Ohio Police and Fire Retirement System (OP&F) OP&F 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 2019, OP&F members contributed 12.25% of their gross salaries and the Village contributed an amount equaling 19.5%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Village of Apple Creek
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer 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. For OPERS, the portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2019. OP&F contributed 0.5% to fund these benefits during calendar year 2019.

Note 9 – Debt

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
OPWC Loan #CP26M	\$ 96,647	0.00%
OPWC Loan #CP30N	76,138	0.00%
OWDA Loan #6101	30,671	2.00%
OWDA Loan #6923	1,471,199	0.00%
OWDA Loan #7081	128,362	3.04%
OWDA Loan #7657	432,120	0.00%
Total	\$ 2,235,137	

The Ohio Public Works Commission (OPWC) loan (CP26M) was approved up to \$175,722 for a Waterline Replacement. The Village will repay the loan in semiannual installments of \$4,393, including interest at 0% through 2030.

The OPWC loan (CP30N) was approved up to \$101,518 for a Sewer Trunk Line Replacement. The Village will repay the loan in semiannual installments of \$1,692, including interest at 0% through 2042.

The Ohio Water Development Authority (OWDA) loan (6101) was approved up to \$44,180 for Pump Station Improvements. The Village will repay the loan in semiannual installments of \$1,346, including interest at 2% through 2032.

The Ohio Water Development Authority (OWDA) loan (6923) was approved up to \$1,730,823 for Wastewater Treatment Plant Improvements. The Village will repay the loan in semiannual installments of \$43,271, including interest at 0% through 2036.

The Ohio Water Development Authority (OWDA) loan (7081) was approved up to \$148,302 for Iron and Manganese Pressure Filters. The Village will repay the loan in semiannual installments of \$4,975, including interest at 3.04% through 2036.

The Ohio Water Development Authority (OWDA) loan (7657) was approved up to \$532,464 for the Waynedale Sanitary Sewer project. The Village will repay the loan in semiannual installments, including interest at 0% through 2038, with the first payment beginning in 2018. An amortization schedule for this loan has not yet been completed.

Village of Apple Creek
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt (continued)

Amortization

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

Year ending December 31:	<u>OPWC Loans</u>	<u>OWDA Loans</u>
2020	\$ 12,170	\$ 99,183
2021	12,170	99,183
2022	12,170	99,183
2023	12,170	99,183
2024	12,170	99,183
2025-2029	60,850	495,915
2030-2034	25,706	490,533
2035-2039	16,920	188,009
2040-2044	8,459	-
Total	<u>\$ 172,785</u>	<u>\$ 1,670,372</u>

Note 10 – Interfund Advances

In 2003, the Village loaned \$700,000 of General Fund money to the Sewer Capital Outlay Fund. As of December 31, 2019, the amount outstanding was \$278,940. The loan repayments are as follows:

Year ending December 31:	<u>Interfund Loan</u>
2020	\$ 35,000
2021	40,000
2022	40,000
2023	45,000
2024	45,000
2025-2026	73,940
Total	<u>\$ 278,940</u>

Note 11 – Contingent Liabilities

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village's financial condition.

Village of Apple Creek
Wayne County
Combined Statement of Receipts, Disbursements and Changes in
Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property and Other Local Taxes	\$ 49,521	\$ -	\$ 49,521
Municipal Income Tax	331,162	-	331,162
Intergovernmental	11,630	93,325	104,955
Charges for Services	-	5,875	5,875
Fines, Licenses and Permits	2,164	250	2,414
Earnings on Investments	11,886	1,858	13,744
Miscellaneous	76,133	3,250	79,383
<i>Total Cash Receipts</i>	<u>482,496</u>	<u>104,558</u>	<u>587,054</u>
Cash Disbursements			
Current:			
Security of Persons and Property	338,448	832	339,280
Leisure Time Activities	-	9,579	9,579
Transportation	-	130,800	130,800
General Government	107,184	-	107,184
Capital Outlay	4,941	49,589	54,530
<i>Total Cash Disbursements</i>	<u>450,573</u>	<u>190,800</u>	<u>641,373</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	31,923	(86,242)	(54,319)
Other Financing Receipts (Disbursements)			
Transfers In	-	69,300	69,300
Transfers Out	(69,300)	-	(69,300)
Advances In	35,000	-	35,000
Other Financing Uses	(6,706)	-	(6,706)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(41,006)</u>	<u>69,300</u>	<u>28,294</u>
<i>Net Change in Fund Cash Balances</i>	(9,083)	(16,942)	(26,025)
<i>Fund Cash Balances, January 1</i>	<u>588,380</u>	<u>52,330</u>	<u>640,710</u>
Fund Cash Balances, December 31			
Nonspendable	340	-	340
Restricted	-	35,388	35,388
Assigned	125,027	-	125,027
Unassigned	453,930	-	453,930
<i>Fund Cash Balances, December 31</i>	<u>\$ 579,297</u>	<u>\$ 35,388</u>	<u>\$ 614,685</u>

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

Village of Apple Creek
Wayne County
Combined Statement of Receipts, Disbursements and Changes in
Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2018

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$ 551,035	\$ 1,565	\$ 552,600
Miscellaneous	20,415	-	20,415
<i>Total Operating Cash Receipts</i>	571,450	1,565	573,015
Operating Cash Disbursements			
Personal Services	55,889	-	55,889
Contractual Services	175,982	-	175,982
Supplies and Materials	62,044	-	62,044
<i>Total Operating Cash Disbursements</i>	293,915	-	293,915
<i>Operating Income (Loss)</i>	277,535	1,565	279,100
Non-Operating Receipts (Disbursements)			
Intergovernmental	3,076	-	3,076
Other Debt Proceeds	84,156	-	84,156
Capital Outlay	(116,760)	-	(116,760)
Principal Retirement	(119,767)	-	(119,767)
Interest and Other Fiscal Charges	(4,898)	-	(4,898)
Other Financing Sources	-	313	313
Other Financing Uses	(405)	(1,585)	(1,990)
<i>Total Non-Operating Receipts (Disbursements)</i>	(154,598)	(1,272)	(155,870)
<i>Income (Loss) before Advances</i>	122,937	293	123,230
Advances Out	(35,000)	-	(35,000)
<i>Net Change in Fund Cash Balances</i>	87,937	293	88,230
<i>Fund Cash Balances, January 1</i>	1,011,063	794	1,011,857
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,099,000</u>	<u>\$ 1,087</u>	<u>\$ 1,100,087</u>

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

Village of Apple Creek
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Apple Creek, Wayne County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

Public Entity Risk Pool

The Village participates in jointly governed organizations and the Ohio Plan Risk Management, Inc., a public entity risk pool. 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.

Note 2 – Summary of Significant Accounting Policies

Accounting Basis

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

Deposits and Investments

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.

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:

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

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.

Street Construction, Maintenance and Repair Fund The street construction, maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for the purpose of construction, maintenance, and repair of streets within the Village.

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 Fund:

Village of Apple Creek
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

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

Fiduciary Funds Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for monies received for trash bags provided by J&J Refuse, and deposits for park rentals.

Budgetary Process

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

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

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

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:

Nonspendable The Village 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 Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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 Village Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

Village of Apple Creek
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

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

Accumulated Leave In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The Statements do not include a liability for unpaid leave.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 484,243	\$ 482,496	(\$1,747)
Special Revenue	224,800	173,858	(50,942)
Enterprise	564,056	658,682	94,625

2018 Budgeted vs. Actual Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 568,500	\$ 526,579	\$41,922
Special Revenue	261,491	190,800	70,691
Enterprise	587,096	535,745	51,351

Note 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 at December 31 was as follows:

Demand Deposit	2018 \$ 1,714,772
Total Deposit	\$ 1,714,772

Deposits Deposits are insured by the Federal Depository Insurance Corporation; on collateralized by securities specifically pledged by the financial institution to the Village.

Village of Apple Creek
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Income Taxes

The Village levies a municipal income tax of 1% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Risk Management

Risk Pool Membership

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Village of Apple Creek
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 – Risk Management (continued)

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

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

Health Insurance

The Village provides health insurance to all employees through Wayne County (County). The Village is invoiced their monthly premiums and the premiums are paid to the County. All risk transfers to the County.

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers Compensation a premium based on a rate of \$100 of salaries. This rate is calculated based on accident history and administrative cost.

Note 7 – Defined Benefit Pension Plans

The Village has nine employees that 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 2018, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

The Village's has 3 full time Police employees that belong to Ohio Police and Fire Retirement System (OP&F) OP&F 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 2018, OP&F members contributed 12.25% of their gross salaries and the Village contributed an amount equaling 19.5%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer 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. For OPERS, the portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2018. OP&F contributed 0.5% to fund these benefits during calendar year 2018.

Village of Apple Creek
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
OPWC Loan #CP26M	\$ 105,433	0.00%
OPWC Loan #CP30N	79,522	0.00%
OWDA Loan #6101	32,718	2.00%
OWDA Loan #6923	1,557,741	0.00%
OWDA Loan #7081	134,276	3.04%
OWDA Loan #7657	458,742	0.00%
Total	\$ 2,368,432	

OWDA Loan #7081 Principal was overstated by \$68 in the prior year audit report.

The Ohio Public Works Commission (OPWC) loan (CP26M) was approved up to \$175,722 for a Waterline Replacement. The Village will repay the loan in semiannual installments of \$4,393, including interest at 0% through 2030.

The OPWC loan (CP30N) was approved up to \$101,518 for a Sewer Trunk Line Replacement. The Village will repay the loan in semiannual installments of \$1,692, including interest at 0% through 2042.

The Ohio Water Development Authority (OWDA) loan (6101) was approved up to \$44,180 for Pump Station Improvements. The Village will repay the loan in semiannual installments of \$1,346, including interest at 2% through 2032.

The Ohio Water Development Authority (OWDA) loan (6923) was approved up to \$1,730,823 for Wastewater Treatment Plant Improvements. The Village will repay the loan in semiannual installments of \$43,271, including interest at 0% through 2036.

The Ohio Water Development Authority (OWDA) loan (7081) was approved up to \$148,302 for Iron and Manganese Pressure Filters. The Village will repay the loan in semiannual installments of \$4,975, including interest at 3.04% through 2036.

The Ohio Water Development Authority (OWDA) loan (7657) was approved up to \$532,464 for the Waynedale Sanitary Sewer project. The Village will repay the loan in semiannual installments, including interest at 0% through 2038, with the first payment beginning in 2018. An amortization schedule for this loan has not yet been completed.

Village of Apple Creek
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt (continued)

Amortization

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

Year ending December 31:	<u>OPWC Loans</u>	<u>OWDA Loans</u>
2019	\$ 12,170	\$ 99,183
2020	12,170	99,183
2021	12,170	99,183
2022	12,170	99,183
2023	12,170	99,183
2024-2028	60,850	495,915
2029-2033	34,492	493,225
2034-2038	16,920	284,501
2039-2043	11,843	-
Total	<u>\$ 184,955</u>	<u>\$ 1,769,556</u>

Note 10 – Interfund Advances

In 2003, the Village loaned \$700,000 of General Fund money to the Sewer Capital Outlay Fund. As of December 31, 2018, the amount outstanding was \$313,940. The loan repayments are as follows:

Year ending December 31:	<u>Interfund Loan</u>
2019	\$ 35,000
2020	35,000
2021	40,000
2022	40,000
2023	45,000
2024-2026	118,940
Total	<u>\$ 313,940</u>

The previous balance of the loan was overstated by \$15,000.

Note 11 – Contingent Liabilities

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village's financial condition.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Village of Apple Creek
Wayne County
P.O. Box 208
Apple Creek, Ohio 44606

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts and disbursements by fund type of Village of Apple Creek, Wayne County (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated March 18, 2020, 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

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control 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 2019-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2019-002.


We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 18, 2020.

Entity's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
March 18, 2020

Village of Apple Creek
Wayne County
Schedule of Findings
December 31, 2019 and 2018

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS
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Finding Number: 2019-001 – Material Weakness

Audit Adjustments and Reclassifications

During 2019 and 2018, errors were noted in the Village’s financial statements that required audit adjustments and reclassifications, the most significant of which are as follows:

- The payment of principal and interest was incorrectly classified as Capital Outlay instead of Principal Retirement and Interest and Other Fiscal Charges.
- Debt Proceeds were incorrectly classified as Intergovernmental Revenue.
- Revenue from JEDD income taxes was incorrectly classified as Other Financing Sources instead of Miscellaneous Revenue.
- Revenue from tap fees was incorrectly classified as Earnings on Investments instead of Charges for Services.

The accompanying financial statements and the Village’s records have been adjusted to properly reflect these transactions. Other immaterial posting errors were also noted and brought to the attention of management.

Sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Village adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use the Village Officers’ Handbook, the Uniform Accounting Network Manual, and other Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements.

Management’s Response:

See Corrective Action Plan.

Finding Number 2019-002 – Noncompliance

Appropriations Exceeding Estimated Resources

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

At December 31, 2018, the State Highway Fund had total appropriations exceed total estimated resources by \$12,315. Appropriations also exceeded estimated resources for the Sewer Debt Fund by \$45.

The Fiscal Officer should monitor appropriations and estimated resources on a regular basis and make modifications accordingly to avoid appropriations from exceeding estimated resources.

Management’s Response:

See Corrective Action Plan.

Village of Apple Creek
Wayne County
 Corrective Action Plan (Prepared by Management)
 December 31, 2019 and 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	Fiscal Officer will have this corrected.	03/06/20	Misty Little, fiscal officer
2019-002	Fiscal Officer will have this corrected with the software company.	03/06/20	Misty Little, fiscal officer

Village of Apple Creek
Wayne County
 Schedule of Prior Audit Findings (Prepared by Management)
 December 31, 2019 and 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Audit Adjustments and Reclassifications	Not Corrected	
2017-002	Expenditures Plus Encumbrances Exceeding Appropriations	Corrective Action Taken and Finding is Partially Corrected	

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF APPLE CREEK

WAYNE 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
MAY 7, 2020