

BUTLER TOWNSHIP

RICHLAND COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2005 and 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Board of Trustees
Butler Township
8256 Olivesburg Fitchville Rd.
Greenwich, Ohio 44837

We have reviewed the *Report of Independent Accountants* of Butler Township, Richland County, prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2004 through December 31, 2005. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the AOS permits.

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. Butler Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 8, 2006

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BUTLER TOWNSHIP
RICHLAND COUNTY, OHIO
Audit Report
For the Years ended December 31, 2005 and 2004

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustees
Butler Township, Richland County

We have audited the accompanying financial statements of Butler Township (Township), Richland County, Ohio as and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Butler Township, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
May 28, 2006

BUTLER TOWNSHIP
RICHLAND COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2005

	<u>Governmental Fund Types</u>			<u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Cash Receipts:				
Taxes	\$ 29,153	\$ 109,372	-	\$ 138,525
Intergovernmental	40,906	91,146	\$ 121,319	253,371
Licenses, Permits, and Fees	95,547	450	-	95,997
Earnings on Investments	2,727	1,475	-	4,202
Other Revenue	13,538	933	-	14,471
Total Cash Receipts	181,871	203,376	121,319	506,566
Cash Disbursements:				
Current:				
General Government	64,690	-	-	64,690
Public Safety	34,200	-	-	34,200
Public Works	4,825	230,601	121,319	356,745
Health	-	1,281	-	1,281
Capital Outlay	380	24,999	-	25,379
Debt Service:				
Redemption of Principal	-	25,259	-	25,259
Interest and Fiscal Charges	-	2,123	-	2,123
Total Cash Disbursements	104,095	284,263	121,319	509,677
Cash Receipts Over/(Under) Cash Disbursements	77,776	(80,887)	-	(3,111)
Other Financing Sources/(Uses):				
Advances-In	22,500	22,500	-	45,000
Advances-Out	(22,500)	(22,500)	-	(45,000)
Total Other Financing Sources/(Uses)	-	-	-	-
Excess of Cash Receipts Over/(Under) Cash Disbursements	77,776	(80,887)	-	(3,111)
Fund Balance, January 1, 2005	46,969	189,668	-	236,637
Fund Balance, December 31, 2005	\$ 124,745	\$ 108,781	\$ -	\$ 233,526
Reserve for Encumbrances	\$ 6,653	\$ -	\$ -	\$ -

See accompanying Notes to the Financial Statements.

**BUTLER TOWNSHIP
RICHLAND COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2004**

	<u>Governmental Fund Types</u>		<u>(Memorandum Only) Total</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Taxes	\$ 28,576	\$ 110,237	\$ 138,813
Intergovernmental	31,836	81,632	113,468
Licenses, Permits, and Fees	86,925	250	87,175
Earnings on Investments	1,089	753	1,842
Other Revenue	15,461	744	16,205
Total Cash Receipts	163,887	193,616	357,503
Cash Disbursements:			
Current:			
General Government	65,769	-	65,769
Public Safety	31,700	-	31,700
Public Works	4,890	235,549	240,439
Health	-	740	740
Capital Outlay	4,720	55,170	59,890
Debt Service:			
Redemption of Principal	-	4,129	4,129
Interest and Fiscal Charges	-	434	434
Total Cash Disbursements	107,079	296,022	403,101
Cash Receipts Over/(Under) Cash Disbursements	56,808	(102,406)	(45,598)
Other Financing Sources/(Uses):			
Sale of Notes	-	80,169	80,169
Advances-In	5,000	5,000	10,000
Advances-Out	(5,000)	(5,000)	(10,000)
Transfers-In	-	85,000	85,000
Transfers-Out	(85,000)	-	(85,000)
Total Other Financing Sources/(Uses)	(85,000)	165,169	80,169
Excess of Cash Receipts Over/(Under) Cash Disbursements	(28,192)	62,763	34,571
Fund Balance, January 1, 2004	75,161	126,905	202,066
Fund Balance, December 31, 2004	\$ 46,969	\$ 189,668	\$ 236,637
Reserve for Encumbrances	\$ -	\$ 24,999	\$ 24,999

See accompanying Notes to the Financial Statements.

BUTLER TOWNSHIP
RICHLAND COUNTY, OHIO
Notes To The Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Butler Township, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected, three-member Board of Trustees. The Township provides general government services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed by the Auditor of State.

C. CASH AND INVESTMENTS

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

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

1. General Fund

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

**BUTLER TOWNSHIP
RICHLAND COUNTY, OHIO
Notes To The Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING - (continued)

2. Special Revenue Funds

To account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund – This fund receives gasoline tax monies from the State of Ohio for construction and repair of Township streets.

Permissive Sales Tax Fund – This fund receives sales tax proceeds for maintenance and repairs of Township's roads and equipment.

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 Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over into the subsequent year.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

BUTLER TOWNSHIP
RICHLAND COUNTY, OHIO
Notes To The Financial Statements
For the Years Ended December 31, 2005 and 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

F. **PROPERTY, PLANT AND EQUIPMENT**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. **ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. **EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2005</u>	<u>2004</u>
Demand Deposits	<u>\$233,526</u>	<u>\$236,637</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Township or (3) collateralized by the financial institution's public entity deposit pool.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 is as follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$165,000	\$204,371	\$39,371
Special Revenue	187,441	225,876	38,435
Capital Projects	0	121,319	121,319
Total	\$352,441	\$551,566	\$199,125

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$207,438	\$133,248	\$74,190
Special Revenue	355,263	306,763	48,500
Capital Projects	0	121,319	(121,319)
Total	\$562,701	\$561,330	\$1,371

**BUTLER TOWNSHIP
RICHLAND COUNTY, OHIO
Notes To The Financial Statements
For the Years Ended December 31, 2005 and 2004**

3. BUDGETARY ACTIVITY – (Continued)

<u>Fund Type</u>	<u>2004 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$160,000	\$168,887	\$8,887
Special Revenue	260,765	363,785	103,020
Total	\$420,765	\$532,672	\$111,907

<u>Fund Type</u>	<u>2004 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$230,000	\$197,079	\$32,921
Special Revenue	374,000	326,021	47,979
Total	\$604,000	\$523,100	\$80,900

4. PROPERTY TAX

Real property becomes a lien on January 1 preceding the October 1 date for which rates are adopted by Township Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed on the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEM

Full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plans. This plan provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OPERS members contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of participants' gross salaries for both years. The Township has paid all contributions required through December 31, 2005 and 2004.

**BUTLER TOWNSHIP
 RICHLAND COUNTY, OHIO
 Notes To The Financial Statements
 For the Years Ended December 31, 2005 and 2004**

6. RISK MANAGEMENT

The Township belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The plan provides property, liability, errors and omissions, law enforcement, for each member's need. The Plan pays judgments, settlements and other expenses resulting from other claims that exceed the member's deductibles.

The Plan issues its own policies and reinsures the Plan with A-Vii or better rated carriers, except for the 5% portion retained by the Plan. After, September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for the self-retention (deductible) amounts that vary from member to member.

The Pool's audited financial statements conform to generally accepted accounting principles, and reported the following assets, liabilities and member's equity at December 31:

	<u>2004</u>	<u>2003</u>
Assets	\$6,685,522	\$5,402,167
Liabilities	<u>2,227,808</u>	<u>1,871,123</u>
Retained Earnings	<u>\$4,457,714</u>	<u>\$3,531,044</u>

You can read the complete audited financial statements for the Ohio Government Risk Management at the Plan's website, www.ohioplan.org.

Settled Claims have not been exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The Township pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

The Township also provides health insurance coverage to full-time employees through the Richland County Employee Benefit Plan.

**BUTLER TOWNSHIP
RICHLAND COUNTY, OHIO
Notes To The Financial Statements
For the Years Ended December 31, 2005 and 2004**

7. DEBT

Debt outstanding as of December 31, 2005:

	<u>Principal</u>	<u>Interest Rate</u>
Chase Auto Loan	\$50,781	3.30%

The Chase Auto loan related to the acquisition of a 2005 7400 SFA 4x2 truck for the road department. The remaining loan payments are \$27,384 in 2006 and \$25,102 in 2007, paid in monthly installments of \$2,282, including interest.

8. CONTINGENT LIABILITIES

The Township may be a defendant in various lawsuits. Although, the outcome of the lawsuits is not presently determinable, in the opinion of the Legal Counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

9. COMPLIANCE

We performed tests of compliance with provisions of local, state, and/or federal laws, as applicable. The auditor's report on the Township's compliance with the Ohio Revised Code are included in a separate part of this presentation.

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

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Board of Trustees
Butler Township, Richland County
Greenwich, OH

We have audited the financial statements of Butler Township, Richland County, Ohio (Township) as of and for the years ended December 31, 2005 & 2004, and have issued our report thereon dated May 28, 2006, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit 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.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 28, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the Schedule of Findings as 2005-BTRC-01 and 2005-BTRC-02.

This report is intended solely for the information and use of the management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.
May 28, 2006

**BUTLER TOWNSHIP
RICHLAND COUNTY
SCHEDULE OF FINDINGS
December 31, 2005 and 2004**

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

FINDING NUMBER 2005-BTRC-01

Noncompliance Citation

Ohio Rev. Code Section 5705.09 states that each subdivision is required to establish a special fund for each class of revenues derived from sources other than the general property tax, which the law requires to be used for a particular purpose.

During 2005, the Township received monies from the Ohio Public Works Commission. The Township did not establish an (OPWC) Issue II Fund, Capital Project Fund type, to record the receipts and expenditures associated with this grant.

We recommend the Township establish an Issue II fund, which is a Capital Projects Fund type, to record all receipts and expenditures related to such projects and monies as received from the Ohio Public Works Commission. Township officials can review Auditor of State Bulletins 2002-004 and 2000-008 for guidance.

Management was unaware of this requirement, but will set up the proper fund in the future.

FINDING NUMBER 2005-BTRC-02

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing authority shall make any expenditure of money unless it has been appropriated unless it has been appropriated as provided in such chapter.

During the year ended December 31, 2005, the following fund's expenditures exceeded total appropriations:

Capital Projects Fund (\$121,319)

The Township should monitor appropriations versus expenditures to help avoid overspending. Management agrees and will monitor appropriations and expenditures. This item was caused by not properly recording the OPWC-Issue II receipts and disbursements, stated above.

STATUS OF PRIOR YEARS' CITATIONS AND RECOMMENDATIONS

The prior audit report, for the years ending December 31, 2002 and 2003, reported no material citations or recommendations.



**Auditor of State
Betty Montgomery**

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BUTLER TOWNSHIP

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 20, 2006**