



**Auditor of State
Betty Montgomery**

VILLAGE OF HIRAM
PORTAGE COUNTY

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Auditor of State Betty Montgomery

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Hiram
Portage County
11617 Garfield Road
Hiram, OH 44234

To the Village Council:

We have audited the accompanying financial statements of the Village of Hiram (the Village) as of and for the year ended December 31, 2003. These financial statements are the responsibility of the Village'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 *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 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. The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code §117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11 (B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2005 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Hiram
Portage County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of the management, The Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 1, 2005

**VILLAGE OF HIRAM
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$40,248	\$76,178		\$51,810	\$168,236
Municipal Income Tax	376,780	4,317			381,097
Intergovernmental Receipts	128,226	29,842			158,068
Charges for Services	95,500	95,827			191,327
Fines, Licenses, and Permits	21,848	795			22,643
Earnings on Investments	16,227	5			16,232
Miscellaneous	29,496			34,510	64,006
	<u>708,325</u>	<u>206,964</u>	<u>0</u>	<u>86,320</u>	<u>1,001,609</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	451,901	4,894			456,795
Public Health Services		129,430			129,430
Leisure Time Activities	969				969
Community Environment	3,715	200			3,915
Basic Utility Services	4,094				4,094
Transportation	89,523	20,863			110,386
General Government	242,090	1,812			243,902
Debt Service:					
Principal Payments			\$10,000		10,000
Interest Payments			487		487
Capital Outlay		67,769		70,461	138,230
	<u>792,292</u>	<u>224,968</u>	<u>10,487</u>	<u>70,461</u>	<u>1,098,208</u>
Total Receipts Over/(Under) Disbursements	<u>(83,967)</u>	<u>(18,004)</u>	<u>(10,487)</u>	<u>15,859</u>	<u>(96,599)</u>
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets				1,207	1,207
Transfers-In			10,731		10,731
Advances-In	37,155	27,929			65,084
Transfers-Out	(26,106)				(26,106)
Advances-Out	(37,155)	(27,929)			(65,084)
	<u>(26,106)</u>	<u>0</u>	<u>10,731</u>	<u>1,207</u>	<u>(14,168)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(110,073)	(18,004)	244	17,066	(110,767)
Fund Cash Balances, January 1	110,879	119,794		424,814	655,487
Fund Cash Balances, December 31	<u>\$806</u>	<u>\$101,790</u>	<u>\$244</u>	<u>\$441,880</u>	<u>\$544,720</u>
Reserves for Encumbrances, December 31	<u>\$23,184</u>	<u>\$2,932</u>			<u>\$26,116</u>

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

**VILLAGE OF HIRAM
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$500,441		\$500,441
Miscellaneous	8,494	6,965	15,459
Total Operating Cash Receipts	<u>508,935</u>	<u>6,965</u>	<u>515,900</u>
Operating Cash Disbursements:			
Personal Services	145,335		145,335
Fringe Benefits	30,749		30,749
Contractual Services	130,938		130,938
Supplies and Materials	29,751	1,725	31,476
Capital Outlay	49,853		49,853
Total Operating Cash Disbursements	<u>386,626</u>	<u>1,725</u>	<u>388,351</u>
Operating Income	<u>122,309</u>	<u>5,240</u>	<u>127,549</u>
Non-Operating Cash Receipts:			
Special Assessments	34,809		34,809
Intergovernmental Receipts	905		905
Proceeds from Notes and Bonds	5,560		5,560
Other Non-Operating Receipts	52,682	448	53,130
Total Non-Operating Cash Receipts	<u>93,956</u>	<u>448</u>	<u>94,404</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	197,196		197,196
Interest and other Fiscal Charges	84,231		84,231
Total Non-Operating Cash Disbursements	<u>281,427</u>	<u>0</u>	<u>281,427</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(65,162)	5,688	(59,474)
Transfers-In	323,535		323,535
Advances-In	9,226		9,226
Transfers-Out	(308,161)		(308,161)
Advances-Out	(9,226)		(9,226)
Net Receipts Over/(Under) Disbursements	(49,788)	5,688	(44,100)
Fund Cash Balances, January 1	<u>152,687</u>	<u>10,140</u>	<u>162,827</u>
Fund Cash Balances, December 31	<u>\$102,899</u>	<u>\$15,828</u>	<u>\$118,727</u>
Reserve for Encumbrances, December 31	<u>\$10,531</u>		<u>\$10,531</u>

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

**VILLAGE OF HIRAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Hiram, Portage County, (the Village) 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 Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police and fire services.

The Village's management believes these financial statements present all activities for which the Village 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 or permitted 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 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Ambulance Fund – This fund receives money from ambulance run fees charged to non-residents of the Village.

VILLAGE OF HIRAM
PORTAGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

Water Bond Retirement Fund – This fund receives money to retire debt regarding improvements to the Village waterworks system.

4. Capital Project Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Capital Improvements Fund - This fund receives proceeds from income tax collections to be used for vehicle, equipment, and paving improvements.

5. Enterprise Funds

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

Water Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Fund

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Hiram Beautification Commission Fund – This fund receives donations to beautify the Hiram Public Gardens.

E. Budgetary Process

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

VILLAGE OF HIRAM
PORTAGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Council 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 cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

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

A summary of 2003 budgetary activity appears in Note 3.

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 Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village 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:

	2003
Demand deposits	(\$12,566)
Money Market Account	676,013
Total deposits	663,447
Total deposits and investments	\$663,447

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF HIRAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$810,174	\$708,325	(\$101,849)
Special Revenue	195,804	206,964	11,160
Debt Service	10,975	10,731	(244)
Capital Projects	582,975	87,527	(495,448)
Enterprise	703,025	926,426	223,401
Fiduciary	11,335	7,413	(3,922)
Total	\$2,314,288	\$1,947,386	(\$366,902)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$818,385	\$841,582	(\$23,197)
Special Revenue	181,478	227,900	(46,422)
Debt Service	10,975	10,487	488
Capital Projects	19,500	70,461	(50,961)
Enterprise	815,381	986,745	(171,364)
Fiduciary	0	1,725	(1,725)
Total	\$1,845,719	\$2,138,900	(\$293,181)

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. 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 Village.

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

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

**VILLAGE OF HIRAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 2 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.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$2,341,559	various
Ohio Public Works Loan	270,618	none
Ambulance	<u>72,000</u>	3.5%
Total	<u><u>\$2,684,177</u></u>	

The Ohio Water Development Authority (OWDA) loan relates to water and sewer plant expansion projects. The OWDA has approved up to \$3,548,879 in loans to the Village for this project. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission loans relate to water and sewer plant improvement projects that were mandated by the Ohio Environmental Protection Agency. The OPWC has approved up to \$495,288 in loans to the Village for these projects. The loans are to be retired by water and sewer receipts in semiannual payments.

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

Year ending December 31:			
2004	\$250,751	\$29,203	\$15,970
2005	250,751	20,803	15,970
2006	250,751	20,803	15,970
2007	250,751	20,803	15,970
2008	254,879	20,485	15,852
2009-2013	1,133,662	95,925	
2014-2018	389,339	62,598	
2019-2022	60,054		
Total	<u><u>\$2,840,938</u></u>	<u><u>\$270,620</u></u>	<u><u>\$79,732</u></u>

**VILLAGE OF HIRAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans 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 2003, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u> <u>(Restated)</u>
Assets	\$1,811,340	\$1,852,060
Liabilities	<u>(3,653,152)</u>	<u>(3,858,213)</u>
Retained deficit	<u>(\$1,841,812)</u>	<u>(\$2,006,153)</u>

9. SUBSEQUENT EVENTS

The Village has had some financial difficulties throughout 2003, and continuing into 2004. The Village laid off two full-time police officers in May of 2004, and were approved by a court order in July of 2004 to transfer \$377,741 from a capital projects fund to the general fund, in order to stabilize their finances. The Village Council is currently exploring ways to raise additional revenues and cut costs.



Auditor of State Betty Montgomery

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Hiram
Portage County
11617 Garfield Road
Hiram, OH 44234

To the Village Council:

We have audited the accompanying financial statements of the Village of Hiram (the Village) as of and for the year ended December 31, 2003, and have issued our report thereon dated September 1, 2005 wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed implemented, and as requested, operates UAN. 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.

Compliance

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 grants, 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 that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated September 1, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village'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 assurance on the internal control over financial reporting.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 1, 2005.

Village of Hiram
Portage County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 1, 2005

**VILLAGE OF HIRAM
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS
DECEMBER 31, 2003**

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

FINDING NUMBER 2003-001

A 'training account' was established by Daniel Ellenberger in 1997 as a means for the association of volunteer firefighters in Hiram to contribute to the Village of Hiram Fire Department by gathering member contributions and outside donations. A review of the deposit items showed that at least 134 (77%) of the checks deposited to the account were made payable to the Village of Hiram, the Hiram Fire Department or a variation of those names and many of these appeared to be donations to the fire department or reimbursements for training provided.

A review of the checks written on the account showed that 19 checks totaling \$12,940 were made payable to Mr. Ellenberger. One check for \$940 was made payable to cash and one check for \$1,250 was made payable to Fire & Ice, a business owned by Mr. Ellenberger located in Hiram. Mr. Ellenberger has not provided support documentation for these expenditures.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Mr. Daniel Ellenberger in the amount of fifteen thousand one hundred and thirty dollars (\$15,130) and in favor of the Village of Hiram.

VILLAGE OF HIRAM
 PORTAGE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Illegal Transfers for Sewer Debt payments	Yes	
2002-002	Illegal Transfers for Water Debt payments	Yes	



**Auditor of State
Betty Montgomery**

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VILLAGE OF HIRAM

PORTAGE 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
DECEMBER 27, 2005**