

JEFFERSON TOWNSHIP
MADISON COUNTY, OHIO

Audited Financial Statements

For the Years Ended December 31, 2005 and 2004



Mary Taylor, CPA

Auditor of State

Board of Trustees
Jefferson Township
225 Cemetery Rd.
West Jefferson, OH 43162

We have reviewed the *Independent Auditor's Report* of Jefferson Township, Madison County, prepared by Van Krevel & Company, for the audit period January 1, 2004 to 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. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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 *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State 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. Jefferson Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 17, 2007

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Jefferson Township
Madison County, Ohio

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Van Krevel & Company
5201 Indian Hill Road
Dublin, Ohio 43017
614-761-3743

Independent Auditor's Report

Jefferson Township
Madison County
225 Cemetery Road
West Jefferson, Ohio 43162

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Madison County, Ohio (the Township) as of 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 audits.

We conducted our audits 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 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 our audits provide 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 accounting principles generally accepted in the United States of America, 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 accompanying the financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also presenting its 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 townships to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to the non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above 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 years then ended.

Jefferson Township
Madison County
Independent Auditor's Report
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Also, 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 Jefferson Township, Madison County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 November 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 and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

/s/ Van Krevel & Company
Dublin, Ohio

November 28, 2006

Jefferson Township
Madison 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 Funds</u> | | Totals |
|--|---------------------------|----------------------------|---------------------------|
| | <u>General</u> | <u>Special Revenue</u> | Memorandum <u>Only</u> |
| Cash Receipts: | | | |
| Property and Other Local Taxes | \$170,301 | \$1,267,625 | \$1,437,926 |
| Charges for Services | | 100,000 | 100,000 |
| Licenses, Permits and Fees | | 22,612 | 22,612 |
| Intergovernmental | 58,207 | 330,193 | 388,400 |
| Earnings on Investments | 42,626 | 6,986 | 49,612 |
| Miscellaneous | <u>2,502</u> | <u>8,436</u> | <u>10,938</u> |
| Total Cash Receipts | 273,636 | 1,735,852 | 2,009,488 |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | 125,017 | 151,443 | 276,460 |
| Public Safety | | 1,260,523 | 1,260,523 |
| Public Works | 649 | 97,443 | 98,092 |
| Health | 14,772 | 13,378 | 28,150 |
| Human Services | | 439 | 439 |
| Capital Outlay | <u> </u> | <u>123,770</u> | <u>123,770</u> |
| Total Cash Disbursements | 140,438 | 1,646,996 | 1,787,434 |
| Total Receipts Over (Under) Disbursements | 133,198 | 88,856 | 222,054 |
| Other Financing Receipts (Disbursements): | | | |
| Transfers In | 352 | 10,323 | 10,675 |
| Transfers Out | <u> </u> | <u>(10,675)</u> | <u>(10,675)</u> |
| Total Other Financing Receipts (Disbursements) | <u>352</u> | <u>(352)</u> | <u>-</u> |
| Excess of Cash Receipts and Other Financing Receipts Over (Under) Disbursements | <u>133,550</u> | <u>88,504</u> | <u>222,054</u> |
| Fund Cash Balances, January 1 | <u>542,945</u> | <u>1,466,378</u> | <u>2,009,323</u> |
| Fund Cash Balances-December 31 | <u>\$676,495</u> | <u>\$1,554,882</u> | <u>\$2,231,377</u> |
| Reserve for Encumbrances, December 31 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Jefferson Township
Madison County, Ohio

Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Governmental Fund Types and Fiduciary Fund
For the Year Ended December 31, 2004

| | Governmental Funds | | Fiduciary | Totals Memorandum Only |
|---|--------------------|--------------------|---------------------|------------------------------|
| | General | Special Revenue | Expendable Trust | |
| Cash Receipts: | | | | |
| Property and Other Local Taxes | \$ 95,791 | \$1,247,468 | \$ | \$1,343,259 |
| Charges for Services | | 99,364 | | 99,364 |
| Licenses, Permits and Fees | | 24,591 | | 24,591 |
| Intergovernmental | 33,510 | 249,029 | | 282,539 |
| Earnings on Investments | 13,956 | 1,849 | 296 | 16,101 |
| Miscellaneous | 3,299 | 10,621 | _____ | 13,920 |
| Total Cash Receipts | 146,556 | 1,632,922 | 296 | 1,779,774 |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 121,917 | 151,877 | | 273,794 |
| Public Safety | 527 | 1,209,869 | | 1,210,396 |
| Public Works | 649 | 114,236 | | 114,885 |
| Health | 17,310 | 24,121 | | 41,431 |
| Capital Outlay | 16,213 | 58,899 | _____ | 75,112 |
| Total Cash Disbursements | 156,616 | 1,559,002 | | 1,715,618 |
| Total Receipts Over (Under) Disbursements | (10,060) | 73,920 | 296 | 64,156 |
| Other Financing Receipts (Disbursements): | | | | |
| Transfer In | | 37,409 | | 37,409 |
| Transfer Out | | | (37,409) | (37,409) |
| Sale of Fixed Assets | _____ | 22,500 | _____ | 22,500 |
| Total Other Financing Receipts (Disbursements) | _____ | 59,909 | (37,409) | 22,500 |
| Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements | (10,060) | 133,829 | (37,113) | 86,656 |
| Fund Cash Balances, January 1 | 553,005 | 1,332,549 | 37,113 | 1,922,667 |
| Fund Cash Balances-December 31 | \$542,945 | \$1,466,378 | \$ - | \$2,009,323 |
| Reserve for Encumbrances, December 31 | \$ - | \$ - | \$ 0 | \$ - |

Jefferson Township
Madison County, Ohio

Notes to the Financial Statements
December 31, 2005 and 2004

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Description of the Entity

Jefferson Township, Madison County, Ohio (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 road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township also provides fire protection and emergency medical services to Fairfield Township.

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 the State of Ohio, which is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received 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 the State of Ohio.

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.

Repurchase agreements are reported at cost.

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. It is used to account for all financial resources except those required to be accounted for in another fund.

2 Special Revenue Funds

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

Jefferson Township
Madison County, Ohio

Notes to the Financial Statements
December 31, 2005 and 2004

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D Fund Accounting (continued)

Fire District Fund - This fund receives property tax and homestead and rollback tax monies for the operation of the Township's fire department.

3 Fiduciary Funds (Trust Fund)

This fund is used to account for resources restricted by legally binding trust agreements. The Township has an expendable trust fund for purchasing property for additional cemetery land. Effective December 31, 2004, the Board of Trustees, approved the transfer of these expendable trust funds to the Special Revenue Fund.

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 object level of control and appropriations may not exceed estimated resources. The Board of 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 cash 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 individual commitments are made. Encumbrances outstanding at year end are carried over and need not be re-appropriated.

A summary of the 2005 and 2004 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 in the accompanying financial statements.

G Accumulated Leave

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

Jefferson Township
Madison County, Ohio

Notes to the Financial Statements
December 31, 2005 and 2004

2 EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investment 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 | \$1,439,034 | \$1,153,299 |
| Repurchase Agreements | <u>792,343</u> | <u>856,024</u> |
| Total Deposits and Investments | <u>\$2,231,377</u> | <u>\$2,009,323</u> |

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

Investments: The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2005, follows:

2005 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|--------------------------|------------------------|----------------------|
| General | \$ 121,212 | \$ 273,988 | \$152,776 |
| Special Revenue | <u>1,587,333</u> | <u>1,746,175</u> | <u>158,842</u> |
| Totals | <u>\$1,708,545</u> | <u>\$2,020,163</u> | <u>\$311,618</u> |

2005 Budgeted vs. Actual Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
|------------------|--------------------------------|-------------------------------|------------------------|
| General | \$ 583,900 | \$ 140,438 | \$ 443,462 |
| Special Revenue | <u>2,373,275</u> | <u>1,657,671</u> | <u>715,604</u> |
| Totals | <u>\$2,957,175</u> | <u>\$1,798,109</u> | <u>\$1,159,066</u> |

Jefferson Township
Madison County, Ohio

Notes to Financial Statements
December 31, 2005 and 2004

3. BUDGETARY ACTIVITY (continued)

Budgetary activity for the year ending December 31, 2004, follows:

2004 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|--------------------------|------------------------|------------------|
| General | \$ 89,207 | \$ 146,556 | \$ 57,349 |
| Special Revenue | 1,529,179 | 1,692,831 | 163,652 |
| Expendable Trust | <u>250</u> | <u>296</u> | <u>46</u> |
| Totals | <u>\$1,618,636</u> | <u>\$1,839,683</u> | <u>\$221,047</u> |

2004 Budgeted vs. Actual Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
|------------------|--------------------------------|-------------------------------|------------------|
| General | \$ 411,900 | \$ 156,616 | \$255,284 |
| Special Revenue | 2,256,100 | 1,559,002 | 697,098 |
| Expendable Trust | <u>-</u> | <u>37,409</u> | <u>(37,409)</u> |
| Totals | <u>\$2,668,000</u> | <u>\$1,753,027</u> | <u>\$914,973</u> |

The variance in the 2004 Budgeted vs. Actual Expenditures for the Expendable Trust resulted from the permanent transfer of the balance held at December 31, 2004 to the Special Revenue Fund. See Note 1.

4. PROPERTY TAXES

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

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

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

Jefferson Township
Madison County, Ohio

Notes to Financial Statements
December 31, 2005 and 2004

5 RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of the wages. OPERS members contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of gross salaries. The Township had paid all contributions required through December 31, 2005.

6 RISK MANAGEMENT

Commercial Insurance

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

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation as required by Ohio Law.

The Township has obtained commercial insurance for the following risks:

Comprehensive property and general liability
Vehicles
Errors and omissions

Medical Insurance

Some of the Township's employees participate in a cafeteria plan for medical and dental insurance.

Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity for the public purpose of enabling its members to obtain self-insurance through a jointly administered self-insurance fund. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's risk management needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the Member's deductible.

Jefferson Township
Madison County, Ohio

Notes to Financial Statements
December 31, 2005 and 2004

6 RISK MANAGEMENT (continued)

Risk Pool Membership (continued)

The Plan issues its own policies and reinsures with A- VII or better rated carriers, except for the portion the Plan retains. With policies effective September 1, 2002 and after, the Plan began retaining 5% of the premium and losses on the first \$500,000 casualty treaty and 5% of the first \$1,000,000 property treaty. With policies effective November 1, 2005 and after, the Plan began retaining 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

| | <u>2005</u> | <u>2004</u> |
|-----------------|--------------------|--------------------|
| Assets | \$8,219,430 | \$6,685,522 |
| Liabilities | <u>(2,748,639)</u> | <u>(2,227,808)</u> |
| Members' Equity | <u>\$5,470,791</u> | <u>\$4,457,714</u> |

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

Van Krevel & Company
5201 Indian Hill Road
Dublin, Ohio 43017
614-761-3743

INDEPENDENT ACCOUNTANT'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

Jefferson Township
Madison County, Ohio
225 Cemetery Road
West Jefferson, Ohio 43162

To the Board of Trustees:

We have audited the financial statements of Jefferson Township, Madison County, Ohio (the Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 28, 2006, wherein we noted that the Township followed 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control 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 the 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 of the internal control components does not reduce to a relatively low level of 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 operations that we consider to be material weaknesses.

Jefferson Township
Madison County, Ohio
Independent Accountant's Report on Internal Control Over Financial Reporting and on
Compliance with Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

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, contract and grant agreements, non-compliance 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated November 28, 2006.

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

/s/ Van Krevel & Company
Dublin, Ohio

November 28, 2006



Mary Taylor, CPA
Auditor of State

JEFFERSON TOWNSHIP

MADISON 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 10, 2007**