OHIO TOBACCO USE PREVENTION AND CONTROL FOUNDATION

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2006

Auditor of State
Betty Montgomery

OHIO TOBACCO USE PREVENTION AND CONTROL FOUNDATION

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INDEPENDENT ACCOUNTANTS' REPORT

Ohio Tobacco Use Prevention and Control Foundation
300 East Broad Street, Suite 310
Columbus, Ohio 43215

We have audited the accompanying financial statements of the governmental activities and Special Revenue Fund of the Ohio Tobacco Use Prevention and Control Foundation (the Foundation), State of Ohio, as of and for the year ended June 30, 2006, which collectively comprise the Foundation's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Foundation's management. 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 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 opinions.

As discussed in Note 1, the Foundation's financial statements present the financial position and changes in financial position of only the Ohio Tobacco Use Prevention and Control Foundation. They do not purport to, and do not, present fairly the financial position of the State of Ohio as of June 30, 2006, or the changes in its financial position and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and Special Revenue Fund of the Ohio Tobacco Use Prevention and Control Foundation as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1K, during the year ended June 30, 2006, the Foundation adopted the Governmental Accounting Standards Board's Statement No. 46, *Net Assets Restricted By Enabling Legislation.*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2006, on our consideration of the Ohio Tobacco Use Prevention and Control Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, 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 in internal control over financial reporting and compliance and the 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion in it.

Betty Montgomery
Auditor of State

September 29, 2006

The management of the Ohio Tobacco Use Prevention and Control Foundation (TUPCF), part of the primary government of the State of Ohio, offers readers of the Foundation's financial statements this narrative overview and analysis of the financial activities of the Foundation for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented herein in conjunction with the Foundation's financial statements, which begin on page 9 of this report.

The financial statements highlight the activities of the Foundation that are principally supported by investment income or by use of the principal portion of the endowment fund. Programs of the Foundation are intended to reduce and eliminate tobacco use in the State of Ohio. In this regard, the Foundation has seven specific goals as follows:

- Prevent youth tobacco use initiation
- Reduce youth tobacco use
- Reduce tobacco use among diverse and underserved populations, including those disproportionately affected by tobacco
- Reduce tobacco use among pregnant women
- Reduce exposure to secondhand tobacco smoke
- Reduce adult tobacco use
- Reduce smokeless tobacco use among youth and adults.

The financial arrangement of the Foundation is unlike those for most state agencies. The most significant difference is that the majority of the Foundation's assets are not appropriated by the General Assembly; therefore, requiring no budgetary monitoring or reporting. The remaining assets of the Foundation are maintained in two special revenue funds within the Central Accounting System (CAS), CAS Funds 5M8 and H87. Although, appropriated, CAS funds 5M8 and H87 are not major special revenue funds, and therefore, budgetary reporting is not required. The monies received from the Tobacco Master Settlement Agreement (MSA) are given to the Foundation and are deposited in its endowment fund. The endowment fund is a "custodial fund", a certain type of fund permitted by state law. The fund is held in the custody of the Treasurer of State, but is not, by law, part of the state treasury. The Foundation's assets are managed by the Foundation's governing board. The Foundation's board, not the Governor and not the General Assembly, determines its annual budget. The Foundation also must manage the investment of its assets under limitations established by state law. This is a responsibility most state agencies do not have.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2006 are as follows:

- The Foundation's net assets decreased by $13,549,699 or 4.3%.
- During 2006, the Foundation's cash and investments (all at market value) decreased by $12,945,370.
- During 2006, there was a net excess of expenditures over revenues of $13,549,699.
- During 2006, investment income was $20,491,803 or 114% of the $18 million budgeted.
- During 2006, $15,960,624 of cessation and prevention grants were disbursed to over 70 grantees as follows:
    - $8,166,237-Community I Grants
    - $2,617,852-High Risk Population Grants
    - $3,919,494-Community II Grants
    - $734,135-Clean Indoor Air pilot project grants

  - $84,000-Chronic illness-pilot
  - $160,652-School Based Programs
  - $248,254-Tobacco Public Policy Center
  - $30,000-Training center/programs

- During 2006, the Foundation spent $6,082,779 on a contract with the National Jewish Medical Center to operate a smoking quit line (1-800-934-4840). Over 30,000 Ohioans called the Ohio Quit Line in FY 06.

- During 2006, the Foundation spent $8,179,635 in its counter-marketing efforts. This is an aggressive statewide media and counter-marketing campaign which utilizes youth empowerment messages and images to combat the nearly $500 million dollars in marketing that tobacco manufacturers spend each year in Ohio. The goal is to de-normalize tobacco use among the general public, especially among the group most at risk for starting a tobacco habit – children and teens ages 11-15.

- During 2006, administrative costs of the Foundation were $907,492 or 2.67% of operating expenses.

- During 2006, $884,073 was spent with certified Ohio Minority Business Enterprise (MBE) companies.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Foundation's basic financial statements. The Foundation's basic financial statements comprise two components: 1) financial statements, and 2) notes to the financial statements.

The Foundation follows governmental accounting principles, which means these statements are presented in a manner similar to other governmental units. The financial statements are designed to provide readers with a broad overview of the Foundation's finances in total. These statements offer short and long-term financial information about its activities.

The *Governmental Funds Balance Sheet / Statement of Net Assets* presents information on all of the Foundation's assets and liabilities, including information about the nature and amounts of investments and the Foundation's net assets at June 30, 2006. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Foundation is improving or deteriorating.

The *Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities* presents information showing the changes in the Foundation's net assets during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leaves and accrued interest receivable).

FINANCIAL ANALYSIS OF THE FOUNDATION

The following is condensed financial information as of June 30:

	2006	2005	% Change
Total Assets	305,492,231	$318,346,081	(4.0%)
Total Liabilities	3,286,200	2,590,352	26.9%
Total Net Assets	302,206,031	315,755,730	(4.3%)
Revenues			
Tobacco Settlement	0	0	n/a
Investment income	20,491,803	17,480,985	17.2%
Donations/Grants	1,000	208,500	(99.5)%
Total Revenues	20,492,803	17,689,485	15.8%
Operating Expenditures	34,042,502	36,238,805	(6.0)%
Change in Net Assets	(13,549,699)	(18,549,320)	27.0%
Ending Net Assets	$302,206,031	$315,755,730	(4.3)%

The reasons for Significant Changes from fiscal year 2006 are as follows:

- Investment income had a significant gain in 2006 which is directly attributable to the financial markets. The Foundation's assets are invested per ORC 183.08(A) which limits investments to those permitted for the public retirement systems under ORC 145.11.

- Tobacco settlement revenues in fiscal years 2006 and 2005 were zero. Fiscal year 2006 and 2005 tobacco settlement revenues that were originally designated for the Foundation were diverted to the state's General Revenue Fund.

- The change in liabilities is an increase of $695,847 and is primarily related to an increase in accounts payables due to the timing of receiving invoices from vendors and for the increase in obligations under lent securities for which there is an equal and offsetting asset account.

- Total operating expenditures in fiscal year 2006 were $34,042,503 and, in fiscal year 2005, $36,238,805. The Foundation was formed in fiscal year 2001 and the first staff person was hired in fiscal year 2002. Fiscal year 2003 was the first full year of operations with a budget of $27,098,571. FY 2004 and FY 2005 continued a "ramping up" of the operations of the Foundation. In fiscal year 2006 the Foundation's board reduced its budget to $47,269,810 whereas the fiscal year 2005 budget was $53,305,790. Additionally and as a result of the continued diversion of payments of the tobacco settlement revenues from the legislature, the Foundation's Board of Trustees approved a budget for fiscal year 2007 of $45.1 million dollars. This amount is less than the minimum amount of approximately $62 million suggested for Ohio by the United States Centers for Disease Control (CDC).

CAPITAL ASSETS

At the end of fiscal year 2006, the Foundation had a net investment in capital assets of $117,890 as detailed below:

Fixed Assets at June 30

	2006	2005	% Change
Furniture	$ 111,482	$ 111,482	0%
IT Equipment	124,164	117,685	5.5%
Total Fixed Assets	$ 235,647	$ 229,167	2.8%
Less Accumulated Depreciation	117,757	82,424	42.9%
Net Fixed Assets	$ 117,890	$ 146,743	(19.7%)

The net fixed assets of the Foundation decreased $28,853 during fiscal year 2006. Total fixed assets increased $6,480 while accumulated depreciation increased $35,333. IT Equipment is being depreciated over five years and office furniture over a ten year period.

ACCOMPLISHMENTS

During its fourth full year of operation that ended June 30, 2006, the Foundation provided cash payments of $15,960,624 in grants to prevent and control the use of tobacco (i.e., see above for detail)

The Foundation spent $6,082,798 to operate the Ohio tobacco quitline which served over 30,000 Ohioans.

The Foundation funded a total of $1,297,586 for evaluation and research activities. These funds were primarily spent with RTI (Research Triangle Institute) to conduct evaluation studies of the effectiveness of the Foundation's counter-marketing efforts; with Ohio University and the Gallup Organization to evaluate the effectiveness of the Foundation's tobacco prevention and cessation grants; and with the accounting and auditing firms of Kennedy, Cottrell + Associates and GBQ partners to perform financial reviews of the various prevention and cessation grants.

Finally the Foundation spent $8,179,635 in its counter-marketing media campaign which is part of an overall $50 million, five year program. The Foundation at the end of the fiscal year 2006 had authorized personnel strength of eighteen staff members with seventeen positions being filled at fiscal year-end.

ECONOMIC FACTORS

- In June 2003, HB 95 was signed into law. This legislation contained provisions relating to $112,262,375 in funds the Foundation was to receive from the Master Settlement Agreement for fiscal year 2004. HB 95 diverted this fiscal year 2004 payment into the State of Ohio's General Revenue Fund. These diverted dollars are to be repaid to the Foundation from tobacco revenues that the State receives in fiscal year 2015. The bill called for up to $120 million dollars to be diverted. In July 2004 (FY 2005) the Foundation was notified that it would receive $16,851,294 of funds that were not utilized for diversion.

- In May 2004, HB 434 was signed into law. This legislation contained provisions stating that the Foundation would receive appropriations of $0 and $107,500,000 in FY 2005 and FY 2006 respectively from the Tobacco Master Settlement Fund Group. In addition the legislation appropriated $1,273,000 and $1,298,000 for FY 2005 and FY 2006, respectively for operating expenses (all personnel costs). These amounts were increased to $1,495,768 and $1,525,136 respectively by action of the Controlling Board on November 15, 2004.

- In June 2005, HB 66 was signed into law. This legislation contained provisions stating that the Foundation would not receive the appropriations previously approved for FY 2006 in the amount of $107,500,000 and furthermore the Foundation would not receive any appropriations for FY 2007. There was no mention in the legislation of any repayment of these diverted funds.

- For fiscal year 2006 the Foundation Board of Trustees approved a budget of total expenditures of $47.2 million including $40.4 million for programs. Actual expenditures for fiscal year 2006 were 34,042,503 (72% of the budget amount). The Foundation's Board previously had also approved the concept of spending at a rate that ensures that the Foundation will remain in existence for at least ten years starting with fiscal year 2006. However, spending may be "front-loaded" so as to have the greatest impact on changing the culture in Ohio as it relates to smoking.

- For fiscal year 2006 the Foundation and its investment advisors believed the economic recovery would continue such that net investment income for FY 06 would be approximately 6% of the endowment fund balance or approximately $18.0 million dollars. Actual investment earnings achieved were $20,491,803 or 114% of the budgeted amount.

CONTACTING THE FOUNDATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide an overview of the Foundation's finances and it's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marvin Gutter, Ph.D., CPA, Finance Director, Ohio Tobacco Use Prevention and Control Foundation, 300 East Broad Street, Suite 310, Columbus, Ohio 43215-3704.

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OHIO TOBACCO USE PREVENTION AND CONTROL FOUNDATION

GOVERNMENTAL FUND BALANCE SHEET/ STATEMENT OF NET ASSETS

AS OF 6/30/2006

	Special Revenue Fund	Adjustments (See note 2)	Statement of Net Assets
Assets:			
Cash and cash equivalents	$ 3,418,512	$ -	$ 3,418,512
Investments at market value (cost $287,612,323)	$ 301,751,185	$ -	$ 301,751,185
Accounts receivable	$ 34,167	$ -	$ 34,167
Deposit for compensated balances	$ 18,382	$ -	$ 18,382
Colllateral on lent securities	$ 124,814	$ -	$ 124,814
Prepaid employee health benefits	$ 27,281	$ -	$ 27,281
Capital assets, net of accumulated depreciation	$ -	$ 117,890	$ 117,890
Total Assets	$ 305,374,341	$ 117,890	$ 305,492,231
Liabilities:			
Accounts Payable	$ 2,890,522	$ -	$ 2,890,522
Personnel payable	$ 81,262	$ -	$ 81,262
Obligations under lent securities	$ 124,814	$ -	$ 124,814
Compensated absences:	$ -		
Due within one year:	$ -	$ 30,132	$ 30,132
Due after one year:	$ -	$ 159,470	$ 159,470
Total Liabilites	$ 3,096,598	$ 189,602	$ 3,286,200
Fund Balance/ Net Assets:			
Reserved for compensated absences	$ 18,382	$ (18,382)	$ -
Reserved for employee health benefits	$ 27,281	$ (27,281)	$ -
Fund balance reserved	$ 302,232,080	$ (302,232,080)	$ -
Total Fund Balance	$ 302,277,743	$ (302,277,743)	$ -
Total Liabilities and Fund Balance	$ 305,374,341		
Net Assets:			
Invested in net capital assets, net of related debt	$ -	$ 117,890	$ 117,890
Unrestricted	$ -	$ 302,088,141	$ 302,088,141
Total Net Assets	$ -	$ 302,206,031	$ 302,206,031

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

OHIO TOBACCO USE PREVENTION AND CONTROL FOUNDATION

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2006

	Special Revenue Fund	Adjustments (See note 2)	Statement of Activities
Revenues:			
Investment income	$ 20,491,803	$ -	$ 20,491,803
Other	$ 1,000	$ -	$ 1,000
Total Revenues	$ 20,492,803	$ -	$ 20,492,803
Expenditures:			
Personal costs	$ 1,438,279	$ 34,544	$ 1,472,823
Contracts	$ 15,931,352	$ -	$ 15,931,352
Operating costs	$ 642,370	$ -	$ 642,370
Depreciation	$ -	$ 35,333	$ 35,333
Grants	$ 15,960,624		$ 15,960,624
Capital Outlay	$ 6,480	$ (6,480)	$ -
Total Expenditures/Expenses	$ 33,979,105	$ 63,397	$ 34,042,502
Excess (Deficit) of Revenues over Expenditures/Expenses	$ (13,486,302)	$ 13,486,302	$ -
Change in net assets		$ (13,549,699)	$ (13,549,699)
Fund Balance/Net Assets:			
Beginning balance-July 1, 2005	$ 315,764,045	$ (8,315)	$ 315,755,730
Ending balance-June 30, 2006	$ 302,277,743	$ (71,712)	$ 302,206,031

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Authorizing Legislation

The Tobacco Use Prevention and Control Foundation (the Foundation) was created by amended Senate Bill No. 192, effective June 2000, to develop a plan and to implement programs designed to decrease tobacco use in Ohio with emphasis on reducing the use of tobacco by youth, minority and regional populations, pregnant women, and other populations disproportionately affected by tobacco use. The plan shall cover a period of at least five years and be updated annually. The legislation describes a variety of means by which the Foundation is to develop its plan and carry out its charge.

Pursuant to its legislative mandate, the Foundation's Board was created in Ohio Revised Code (ORC) Section 183.04 and is enabled in ORC 183.04 through ORC 183.09 inclusive. The Foundation's Board is composed of twenty voting and four non-voting members as set forth in Section 183.04 of the Ohio Revised Code. Members include eight health professionals, health researchers, or representatives of health organizations; one person with experience in financial planning and accounting; one person with experience in media and mass marketing; seven individuals recommended one each by the following entities: the American Cancer Society, the American Heart Association, the American Lung Association, the Association of Hospitals and Health Systems, the Ohio State Medical Association, the Association of Ohio Health Commissioners, the Ohio Dental Association; three State officials (Director of Health, Executive Director of the Commission on Minority Health, and the Attorney General) sitting ex officio; and two members each from the House and Senate (non-voting).

SB 321 which was signed into law in June, 2006 eliminated the Attorney General as an ex officio board member and which therefore reduced the number of voting members to nineteen.

Method of Operation

The Foundation shall implement or provide funding through grants to private or public agencies to carry out research and programs related to tobacco use prevention and cessation. The Foundation shall establish an objective process to determine which research and program proposals to fund. The Foundation shall also adopt rules under Chapter 119 of the Ohio Revised Code regarding conflicts of interest in the research and programs which it funds.

To carry out the duties of the Foundation, a separate endowment fund (Tobacco Use Prevention and Control Endowment Fund) was created in the custody of the Treasurer of State but which is not part of the State Treasury. Legislation requires the endowment fund to consist of funds disbursed to it through the Foundation's Tobacco Use Prevention and Control Trust Fund (Fund H87), grants and donations made to the Foundation, and investment earnings of the endowment fund. The endowment fund shall be used by the Foundation to carry out its legislative mandate. The Foundation is the trustee of the endowment fund and the Treasurer of State shall pay disbursements only upon instruments duly authorized by the Foundation's Board of Trustees or its designee. The endowment fund, however, is not a trust fund.

The endowment fund is to be used to pay all Foundation expenditures such as staff salaries, equipment purchases, rental payments and program expenses. The legislation also defined the Foundation's employees as State employees, which as a result required the State of Ohio to establish an appropriation line item (Central Accounting System Fund 5M8-Tobacco Use Prevention and Control Operating Expenses fund) to provide for the Foundation's payroll. This amount is then reimbursed by and through the Foundation's endowment fund. For the year ended June 30, 2005, the amount appropriated was $1,495,768 and for the year ended June 30, 2006 the amount was $1,525,136. As of June 30, 2006, the number of employees authorized was eighteen with seventeen positions being filled at June 30, 2006. The majority of the Foundation's assets are required to be maintained in the endowment fund, an un-appropriated account, which is monitored by the Foundation. Payroll costs were less than 4.4% of the Foundation's total reported expenditures and less than 0.49% of the total net assets; therefore, no budgetary comparison information is provided.

At the request of the Foundation, the Treasurer of State shall select and contract with one or more investment mangers to invest all money credited to the fund that is not currently needed for carrying out the functions of the Foundation.

The accompanying financial statements of the Tobacco Use Prevention and Control Foundation present the financial position and results of operations of the Foundation. The financial statements, as of June 30, 2006, and for the year then ended, conform with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's Codification of Governmental Accounting and Financial reporting Standards (GASB Codification) documents these principles. The Foundation's significant accounting policies are as follows:

A. Reporting Entity

Within the State of Ohio's Comprehensive Annual Financial Report, the Foundation is included as part of the primary government. The Foundation's management believes these financial statements present all activities for which the Foundation is financially responsible.

B. Government-Wide and Fund Financial Statements

In accordance with GASB Statement 34, the Foundation has presented government-wide financial statements (the Statement of Net Assets and the Statement of Activities). These statements are required to report all non-fiduciary activities. Government-wide accounting is designed to provide a more comprehensive view of the Foundation's operations and financial position as a single economic entity.

Fund financial statements are also provided for the Foundation's governmental fund. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain functions or activities.

As allowed by GASB Statement 34 for entities engaged in a single governmental program, the Foundation has chosen to present its fund financial statements with its government-wide statements. This was accomplished by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, operating statements present increases (i.e., revenues) and decreases (i.e., expenditures) in net assets. Revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus, operating statements present increases (i.e., revenues) and decreases (i.e., expenditures) in net current assets, and unreserved fund balance is a measure of available expendable resources.

Under the modified accrual basis of accounting, the Foundation recognizes revenues when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction is determinable, and "available" means the amount is collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Foundation considers revenues as available when collected within 60 days after year-end. Under the modified accrual basis, expenditures are recorded when related liabilities are incurred, which are recognized as expenditures when due.

Significant sources susceptible to accrual under the modified accrual basis of accounting include tobacco settlement revenues, investment income and vendor payments.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

The Foundation uses a special revenue fund to report its financial position and results of operations. The special revenue fund is an independent fiscal and accounting entity with a self-balancing set of accounts, which accounts for revenue sources that are legally restricted to specific purpose expenditures. Two separate accounts exist within the special revenue fund; these are the Tobacco Use Prevention and Control Endowment Fund and the Tobacco Use Prevention and Control Operating Expense Fund. These accounts are described within Note 1, Method of Operations.

D. Deposits and Investments

Deposits - At fiscal year end, the carrying amount of the Foundation's cash deposits was $3,418,512 and the bank balances were $3,468,908. Of the bank balance, $182,548 was held on deposit by the State of Ohio, and $3,286,360 was maintained in a custodial account held by the Treasurer of State. $3,186,360 was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Foundation's name. The State's cash pool under the Treasurer of State's administration has the general characteristics of a demand account whereby additional cash can be deposited at any time and can also be effectively withdrawn at any time, within certain budgetary limitations, without notice or penalty.

Investments - At fiscal year end, the fair values of investments were as follows:

Investment Type	Total Fair Value
U.S. Government Obligations	$ 23,088,686
U.S. Government Strips	1,258,082
U.S. Agency Obligations	38,937,258
U.S. Agency Collateralized Mortgage Obligations	7,934,624
Corporate Bonds and Notes (Domestic)	27,460,678
Corporate Bonds and Notes (Foreign)	2,562,648
Corporate Asset Backed Securities	16,413,257
Total Debt Securities	117,655,233
Common and Preferred Stock (Domestic)	146,432,166
Common and Preferred Stock (Foreign)	18,677,348
Mutual Funds (Equities)	16,557,889
Total Equities	181,667,403
Real Estate	1,068,481
Total Investments before Interest & Dividends	300,391,117
Interest and Dividends	1,360,068
Total Investments	$ 301,751,185

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a failure of a depository institution or counterparty to a transaction, the Foundation will be unable to recover the value of deposits, investments, or collateral securities in the possession of an outside party. At June 30, 2006, all investments were registered in the name of the Foundation. The Foundation does not have a formal policy to limit custodial credit risk.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates between the U.S. Dollar and foreign currencies could adversely affect an investment's fair value. The Foundation does not have a formal investment policy regarding foreign currency risk. The Foundation had no exposure to foreign currency risk at fiscal year end.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. Pursuant to the Foundation's investment policy, only high yield money managers (as designated by the Foundation) are permitted to invest in fixed income securities rated BB or less by S&P, Moody's or Fitch.

As of June 30, 2006, the Foundation's exposure to credit risk, based on both Moody's and Standard & Poor's Credit Ratings, was as follows:

Quality Rating	Total
AAA/Aaa	$ 25,924,562
AA/Aa	7,943,396
A/A1	14,031,392
BBB/Baa	8,609,564
BB/Ba	187,615
B	260,642
CCC/Caa	90,219
Unrated	33,991,667
Total Credit Risk Debt Securities	91,039,057
U.S. Government Obligations and Guaranteed Securities	26,616,176
Total Debt Securities	$ 117,655,233

Concentration of Credit Risk – Concentration of credit risk is the risk of inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. Pursuant to the Foundation's investment policy, the securities (stocks and bonds in the aggregate) of any one company (except government agencies) may not exceed 5% of the total portfolio, and no more than 10% of the total portfolio may be invested in any one industry.

Individual treasury securities may represent 30% of the total portfolio, while the total allocation to treasury bonds and notes may represent up to 100% of the portfolio's aggregate bond position. The Foundation had no exposure to concentration of credit risk at fiscal year end.

Interest Rate Risk – Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. According to the Foundation's investment policy, the maximum maturity for any single security is 40 years and the weighted average portfolio maturity may not exceed 10 years. Fixed income investment managers are to maintain the duration of their portfolios between 80% to 120% of the duration of the index assigned to their portfolio.

The reporting of effective duration in the table below quantifies, to the fullest extent possible, the interest rate risk of the Foundation's fixed income assets.

	Investment Maturities (in years)				
Investment Type	**Less than 1**	**1-5**	**6-10**	**More than 10**	**Total Fair Value**
U.S. Government Obligations	$ 396,140	$ 8,265,680	$ 11,238,159	$ 3,188,706	$ 23,088,685
U.S. Government Strips	-	-	1,129,815	128,267	1,258,082
U.S Agency Obligations	93,575	6,966,917	3,988,565	27,888,200	38,937,257
U.S. Agency Collateralized Mortgage Obligations	-	12,172	989,728	6,932,724	7,934,624
Corporate Bonds and Notes (Domestic)	3,433,108	13,027,070	9,084,896	1,915,603	27,460,677
Corporate Bonds and Notes (Foreign)	610,444	853,652	913,102	185,450	2,562,648
Corporate Asset Backed Securities	-	4,116,754	541,310	11,755,196	16,413,260
Total	$ 4,533,267	$ 33,242,245	$ 27,885,575	$ 51,994,146	$ 117,655,233

Derivatives – Derivatives are instruments on which the fair values are derived from the value of some other asset or index. At June 30, 2006, the Foundation held mortgage and asset-backed securities that may be categorized as derivative securities.

The yield on a mortgage or asset-backed security depends on both the amount of interest collected over the life of the security and the change in the market value. To the extent that the underlying debt is retired before maturity, the yield is reduced. The fair value of mortgage and asset-backed securities held by the Foundation at June 30, 2006 was $7,934,624 and $16,413,257, respectively.

E. Capital Assets and Depreciation

It is the Foundation's policy to capitalize all assets with an initial cost of $1,000 or more. Capital assets are reported in the "Statement of Net Assets" column, but are not reported in the "Special Revenue Fund" column on the accompanying Governmental Fund Balance Sheet/Statement of Net Assets. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year.

All reported capital assets of the Foundation are depreciated. Depreciation is computed using the straight-line method of depreciation over the applicable useful life of the asset. One half year of depreciation is recorded in both the year of acquisition and the final year of useful life.

F. Securities Lending Transactions

GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, requires disclosure of assets and liabilities arising from securities lending transactions. Foundation cash on deposit with the Treasurer of State was, during the current fiscal year, subject to lending transactions. Under the lending program, which is administered by a custodial agent bank, certain securities are transferred to an independent broker-dealer (borrower) in exchange for cash collateral. The Treasurer (for cash on deposit with the Treasurer of State) reinvests the collateral in various investments (types), including U.S. government and agency obligations, repurchase agreements, commercial paper, corporate bonds, and money market funds.

The lending agreements require the custodial agents to ensure that the lent securities are collateralized at no less than 102 percent of their market value. As of June 30, 2006, the State had no credit exposure since the amount owed to borrowers exceeded the amount borrowers owed either the Foundation or the State. In accordance with paragraph 9 of GASB Statement No. 28, the Foundation's recording of assets and liabilities for securities lending transactions is based on their share of the cash, at the balance sheet date, as calculated by the Office of Budget and Management and/or the Treasurer of State.

G. Deposit for Compensated Absences

This amount represents the allocated portion of the Foundation's share of the balance in the State Accrued Leave Fund at June 30, 2006, and consists of payroll assessments paid into the Fund by the Foundation during the year. It is an amount pre-funded for compensated absences.

H. Revenues and Receivables

Tobacco settlement revenues comprise one of the Foundation's primary sources of revenues. These revenues are derived from the 1998 Master Settlement Agreement (MSA) which was entered into by the State of Ohio, along with numerous other states, against major tobacco product manufacturers. The MSA stipulates the conditions and calculations to be applied in order for each state to receive its annual allotments. Ohio Revised Code Section 183.02 requires all payments received by the State to be deposited into the Treasurer of State's Tobacco Master Settlement Agreement Fund and the payments and related interest are to be distributed by the Office of Budget and Management in accordance with the distribution schedule. Revised Code Section 183.02 (C) stipulates the payments to the Foundation from the Agreement shall be as follows:

Year	Amount or Percentage
2000 (First Payment Credited)	$104,855,223
2000 (Net Amount Credited)	70.30%
2001	62.84%
2002	61.41%
2003	63.24%
2004	66.65%
2005	66.24%
2006	65.97%
2012	56.01%

Before fiscal year 2012 begins, the Foundation must report to the Governor and Legislature the progress the Foundation has made towards its goals and whether a need for additional funding still exists. At that point, the Governor and Legislature will decide whether funding to the Foundation will be continued. Funding estimates for receiving monies under the Master Settlement Agreement were only projected through the year 2025; however, under the terms of the MSA payments from the tobacco product manufacturers are to continue into perpetuity.

ORC Section 183.02 (1) further states that future year revenues from the MSA are contingent upon sufficient proceeds being received to cover designated revenues set asides for the Education Facilities Trust and Endowment Funds. The Foundation recognizes a receivable for tobacco settlement revenues on the date the payment is received by the State and it is probable the amount will be transferred to the Foundation. There were no tobacco settlement receivables due the Foundation at June 30, 2006.

HB 405, which was signed into law in December 2001, contained several provisions to address a projected shortfall in the state's General Revenue Fund (GRF) for fiscal years 2002 and 2003. Section 32 of the act allows for $260 million in tobacco revenue that Ohio receives in fiscal year 2002 and fiscal year 2003 to be transferred to the GRF, if it is needed to help balance the GRF budget. Of the $260 million total, $221,195,998 would have gone to the Foundation at the rate of $105,678,188 for fiscal year 2002 and $115,517,810 for fiscal year 2003. As a result, in fiscal year 2002 and fiscal year 2003 no funds were transferred to the Foundation as the monies were diverted to the GRF. In addition, HB 405 stated the dollars diverted to help offset reduced revenues to the GRF in fiscal year 2002 and fiscal year 2003 will be repaid to the Foundation from tobacco revenue that the state receives in fiscal year 2013 and fiscal year 2014.

In June 2003, HB 95 was signed into law. This legislation contained provisions relating to $112,262,375 in funds the Foundation was to receive from the MSA for fiscal year 2004. As a result of HB 95 all but $16,851,294 of this fiscal year 2004 payment was diverted into the GRF. These diverted dollars are to be repaid to the Foundation from tobacco revenues that the state receives in fiscal year 2015.

In June 2005, HB 66 was signed into law. This legislation contained provisions relating to fiscal year 2005 and 2006 MSA payments. As a result of HB 66 any and all of the fiscal year 2005 and 2006 payments that were to come to the Foundation were diverted into the GRF. There is no provision in HB 66 that these diverted dollars are to be repaid to the Foundation.

I. Expenditures and Accounts Payable

Grants

In fiscal year 2006, $15,960,624 of tobacco prevention and cessation grants were funded. Grants expenditures are recognized at the time the payment is made.

Contracts

The Foundation enters into several contracts to carry out the programs of the Foundation. The two primary contracts are for the counter-marketing campaign ($8,179,635) and for the operation of the quit line ($6,082,779).

Administrative Expenditures

Administrative expenditures include expenditures not directly attributable to the programmatic aspect of the Foundation. These include salary and wages of non-program personnel, and the proportionate share of all expenses related to the general administration of the Foundation. Ohio Revised Code Section 183.30 (A) requires that no more than five percent of the total expenditures within a fiscal year shall be for administrative purposes. Actual administrative expenditures for fiscal year 2006 were 2.67% of total expenditures.

J. Compensated Absences

The State of Ohio has established laws governing employee leave benefits and policies. Under these policies, Foundation employees earn vacation leave, sick leave, and personal leave at various rates within limits specified under state law. Generally, employees accrue vacation leave at a rate of 3.1 hours every two weeks for the first five years of employment, up to a maximum rate of 9.2 hours every two weeks after 25 years of employment. Employees may accrue a maximum of three years vacation leave credit. At termination or retirement, the State pays employees, at their current full rate, 100% of unused vacation leave, personal leave, and, in certain cases, compensatory time and 50% of unused sick leave.

The Foundation accrues vacation, compensatory time, and personal leaves as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as at termination or retirement. Compensatory time is not subject to pay off at termination or retirement; it must be used in paid time off or it will be lost. Leave time that has been earned, but is unavailable for use as paid time off or as some other form of compensation because an employee has not met a minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

The Foundation accrues sick leave using the vesting method. Under this method, the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

K. Fund Balance/Net Assets

In accordance with reporting requirements associated with GASB Statement No. 33 and No. 46, fund balances will be reported as reserved and net assets will be reported as unrestricted.

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L. Self-Insurance

The State of Ohio serves as the Foundation's primary government and is self-insured for claims covered under its traditional healthcare plan, vehicle liability, public fidelity blanket bonds, property losses, and tort liability. Additionally, the State of Ohio participates in a public entity risk pool that covers liabilities associated with claims submitted to the Bureau of Workers' Compensation.

2. EXPLANATION OF DIFFERENCES BETWEEN THE GOVENMENTAL FUND AND GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total "Fund Balance" of the Foundation's governmental fund on the Governmental Fund Balance Sheet differs from "Total Net Assets" of the governmental activities reported in the Statement of Net "Assets. The "Excess (deficit) of Revenues over Expenditures / Expenses" of the Foundation's governmental fund on the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund balance differs from the Foundation's change in net assets on the Statement of Activities. This difference primarily results from the long-term economic focus of the government-wide statements versus the current financial resources of the governmental fund statements.

The following is a detailed description of the amounts included in the "Adjustments" column of the accompanying financial statements:

Governmental Fund Balance Sheet/Statement of Net Assets

<u>Capital Assets</u> Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the special revenue fund; however, capital assets are reported in the Statement of Net Assets column…………………………………………………………………	$117,890
<u>Compensated Absences</u> No liability for compensated absences is reported in the special revenue fund because the liability is not expected to be liquidated with expendable available financial resources. However, long-term liabilities are reported in the Statement of Net Assets column…………………………………………………………………………………………..	$189,602

Statement of Revenues, Expenditures, and Change in Fund Balance/Statement of Activities

<u>Capital Outlay</u> The special revenue fund reports capital outlays as expenditures. However, for the Statement of Activities column, the cost of those assets is allocated over their estimated useful lives as depreciation expense………………………………………………………………………………	(6,480)
<u>Depreciation</u> For the Statement of Activities column, the cost of capital assets is allocated over the assets' estimated useful lives as depreciation expense. No depreciation expense is recorded for the special revenue fund………………………………………………………………………………….	$35,333
<u>Personnel Costs</u> Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the special revenue fund…………………………………………………………..	$34,544

3. PENSION PLAN

All employees of the Foundation participate in the Public Employees Retirement System of Ohio (PERS). PERS administers three separate pension plans as described below:

a. The Traditional Pension Plan-a cost sharing, multiple-employer defined benefit pension plan

b. The Member-Directed Plan-a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

c. The Combined Plan-a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by PERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefit provisions to the PERS Board.

PERS issues a stand alone financial report, which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)-466-2085 or 1-800-222-PERS (7377).

Employee and employer contributions to PERS are established under the Ohio Revised Code and are based upon percentages of covered employee's gross salaries, with the contribution rate percentages being calculated annually by the Retirement Board's actuaries. In fiscal year 2005 and in fiscal year 2006 through December 31, 2005 the employee and the employer contribution were 8.50% and 13.31% respectively, for all Foundation employees. Beginning January 1, 2006 the rates were increased to 9.00% and 13.54% respectively. The Foundation's required contributions to PERS for the years ended June 30, 2006 and 2005 were $152,233 and $135,214 respectively. The total PERS payrolls for employees of which all employees are covered by PERS were $1,143,752 in fiscal year 2006 and $1,015,880 in fiscal year 2005.

4. OTHER POST EMPLOYMENT BENEFITS

PERS provides post retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available.

The health care coverage provided by the retirement system is considered an "Other Post Employment Benefit (OPEB)" as described in GASB Statement No. 12, *Disclosure of Information on Post Employment Benefits Other Than Pension Benefits by State and Local Government Employers.* The Ohio Revised Code provides statutory authority for employer contributions and requires public employers to fund post retirement healthcare through their contributions to PERS. A portion of each employer contribution to PERS (13.31% of covered payroll, increased to 13.54% effective January 1, 2006) is set aside for the funding of post retirement health care. For the year ended June 30, 2006 that portion was 4.0% for all Foundation employees.

The related assumptions and calculations were based on the PERS's latest actuarial review performed as of December 31, 2004. Included in the assumptions is the entry age normal actuarial cost method of valuation to determine the present value of the OPEB with the difference between assumed and actual experience (actuarial gains and losses) becoming part of the unfunded actuarial accrued liability. Also all investments are carried at market value, and for valuation purposes include the smoothed market approach. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. In addition, the investment assumption rate for 2004 was 8.00%. Finally an annual increase of 4.0 %, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.50% to 6.30%.

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

Other Post Employment Benefits (OPEB) are advance funded on an actuarially determined basis. There are approximately 376,109 active contributing participants. The portion of the employer contribution actually made to fund post employment benefits can be determined by multiplying actual employer contributions times .3005 or in the Foundation's case is equal to $45,746. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2004 was $10.8 billion. PERS' actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.5 billion and $18.7 billion, respectively.

Finally, PERS adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures PERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses. As additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006 which will allow additional funds to be allocated to the care plan.

5. CONTINGENCIES

As of June 30, 2006 the Foundation's management, in consultation with the Attorney General's office, was unaware of any pending litigation which could result in a material unfavorable outcome requiring amounts to be reported or disclosed in the Foundation's financial statements.

6. COMPENSATED ABSENCES

The current portion of the liability for compensated absences consists of the amount of compensated absences that is due to be paid within one year of the balance sheet date, as estimated by the State of Ohio's Office of Budget and Management by analyzing trend data from the previous three fiscal years.

Changes in compensated absences for the year ended June 30, 2006 are as follows:

Balance at 6/30/05	Increase	Decrease	Balance at 6/30/06	Amounts Due in One Year
$155,058	$34,544	-	$189,602	$30,132

7. FIXED/CAPITAL ASSETS

A summary of capital asset activity during the fiscal year follows:

Asset Category	Balance at 6/30/05	Additions	Deletions	Balance at 6/30/06
Furniture	$111,482	$ 0	$ -	$ 111,482
IT Equipment	117,685	6,480	-	124,165
Subtotal	229,167	6,480	-	235,647
Accumulated Depreciation	(82,424)	(35,333)	-	(117,757)
Net Capital Assets	$ 146,743	$(28,853)	$ -	$117,890

Depreciation is calculated using the straight-line basis over the estimated useful lives of the assets. The useful life for Furniture is 10 years and, for IT Equipment, 5 years.

8. LEASES

During fiscal year 2003, the Foundation entered into a lease agreement for office and storage space. Leased properties not having elements of ownership are classified as operating leases and likewise are recorded as expenditures when payable. Total operating lease expense for fiscal year 2006 was $119,713.

According to the Foundation's lease agreement, after the initial lease term ended on June 30, 2003, the Foundation has the option to renew the lease for up to five (5) successive and continuous terms of two (2) years each upon the same terms and conditions of the original lease agreement, except that the base rent will increase as of July 1, 2007 and July 1, 2011. Renewal of the lease is contingent upon the Foundation being in compliance with the existing terms of the contract. Future minimum lease payments under this lease agreement are as follows:

Year	Amount
2007	109,740
2008	115,092
2009	115,092
2010	115,092
2011	115,092
2012	120,696
2013	120,696
Total Lease Payments	$811,500

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Auditor of State
Betty Montgomery

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

Ohio Tobacco Use Prevention and Control Foundation
300 East Broad Street, Suite 310
Columbus, Ohio 43215

We have audited the financial statements the governmental activities and Special Revenue Fund of the Ohio Tobacco Use Prevention and Control Foundation (the Foundation), State of Ohio, as of and for the year ended June 30, 2006, which collectively comprise the Foundation's basic financial statements and have issued our report thereon dated September 29, 2006, wherein we noted the Foundation adopted GASB Statement No. 46. 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine 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 the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Ohio Tobacco Use Prevention and Control Foundation's management dated September 29, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Foundation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially effect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
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www.auditor.state.oh.us

We intended this report solely for the information and use of the Foundation's management and the Ohio General Assembly. It is not intended for anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

September 29, 2006

Auditor of State
Betty Montgomery

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800-282-0370
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OHIO TOBACCO USE PREVENTION AND CONTROL FOUNDATION

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 16, 2006